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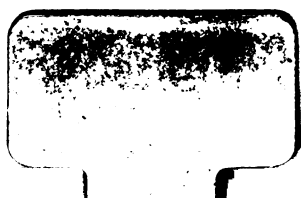
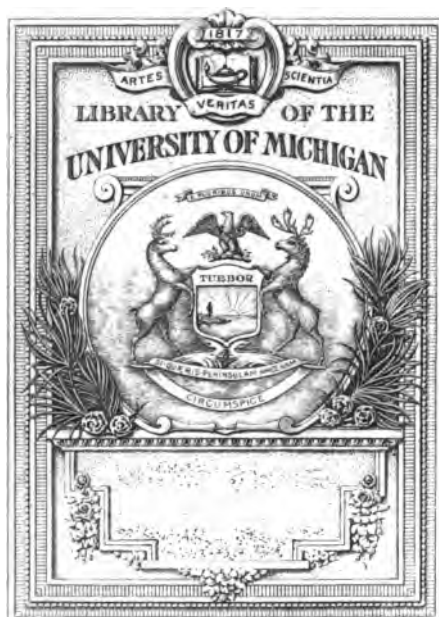
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“Restraint of Trade”

PROS AND CONS OF TRUSTS IN FACTS AND PRINCIPLES

**A HANDBOOK FOR THE MAN
WHO WANTS TO THINK CLEAR
AND VOTE RIGHT**

WILLIAM HUDSON HARPER

**PRINTED FOR THE EDITOR BY THE
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TO THE AVERAGE MAN.

THIS handbook on trusts comes of the conviction that, before us all, the student of political science knows the laws of our welfare, and generally tells them without fear or favor. Wherefore, the average man who votes may know that trusts have come because they must, and that, if harmful to society, being not monsters but organized men, they can be restrained.

This handbook on trusts contains the opinions of men who think and lead, opinions as opposite and distant as the poles. Many authorities are quoted: no man is designedly made to say what he did not mean to say. Errors of interpretation there may be, but the collator and editor has not committed them with malice aforethought. Condensation has been obligatory, but direct quotation has been frequently employed. There are repetitions, but they may prove useful to such readers as refuse to worry through the various sections seriatim. Save for the definitions and suggestions of the natural laws under which the trust has been evolved, set forth in the earlier sections, one may not unprofitably open the book at any page and go at the controversy then and there. In every important instance scrupulous and pleasurable care has been taken to give due and conspicuous credit to authorities quoted.

This handbook on trusts is at the most only suggestive. It is designed to aid the newspaper writer, the professional man, the public speaker, the business man, the laboring man, the farmer—all, for it has collected some of the things the average man is supposed to consider, the fundamentals of his thinking and his vote in November.

This handbook on trusts is in a literary form that may be tedious, but, on the other hand, its form is particularly fitted to quick and easy apprehension.

This handbook on trusts may help to lead the average man to look for the regulation of trusts and monopolies by sane and prophetic statesmen, working for the good of all, and under the banner of moderation, uniformity, and publicity.

W. H. H.,

EVANSTON, ILLINOIS.

AUGUST 8, 1900.

OFFICE OF
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 "Atlantic."
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CERTAIN GENERAL PRINCIPLES.

"History is the serial obituary of the men who thought they could drive men."—Henry D. Lloyd in "Wealth Against Commonwealth."

Alexis de Tocqueville visited the United States about seventy years ago. After a close study of all that is American he wrote "Democracy in America." With interest may now be revived De Tocqueville's observation about the American tendency toward combination:

"Americans of all ages, all conditions and all dispositions constantly form associations. They have not only commercial and manufacturing companies, but associations of a thousand other kinds—religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; they found in this manner hospitals, prisons, schools. If it be proposed to inculcate some truth, or to foster some feeling, by the encouragement of a great example, they form a society. Wherever, at the head of some new undertaking, you see the government in France or a man of rank in England, in the United States you will be sure to find an association. . . . The English often perform great things singly, whereas the Americans form associations for the smallest undertakings. It is evident that the former people consider association as a powerful means of action, but the latter seem to regard it as the only means they have of acting. Amongst the laws which rule human societies there is one which seems to be more precise and clear than all others. If men are to remain civilized, or to become so,

the art of associating together must grow and improve in the same ratio in which the equality of conditions is increased."

Said Oliver Cromwell, as he took off the head of a gentleman of the class of "regrators, forestallers and engrossers": "He that withholdeth corn, the people shall curse him; but blessing shall be upon the head of him that selleth it.'" (Proverbs, 11:26.)

"That competition in some form is a permanent economic process is an implication of the conservation of energy. Given an aggregate of units of unequal energy, their unequal activity is an inevitable consequence. With the complexity of social environment that every quarter of the earth everywhere presents, and the limitless variations of heredity, a society composed of individuals of equal energy is an impossibility. Therefore, when market competition seems to have been suppressed, we should inquire what has become of the forces by which it was generated. We should inquire, further, to what degree market competition actually is suppressed or converted into other forms, and within what limits combinations can hold together and act effectively. The combination equilibrium may be at best an unstable one."—Prof. Giddings, Columbia University.

"Much of the legislation not only proposed but enacted against trusts is not one whit more intelligent than the mediaeval bull against the comet, and has not been one particle more effective."—Governor Theodore Roosevelt in message to legislature of State of New York, Jan. 3, 1900.

The supreme court of Georgia, in the case of the Central Railroad Company vs. Collins, made this sagacious generalization: "All experience has shown that all accumulations of property in hands likely to keep it intact for a long period are dangerous to the public weal. Having perpetual succession, any kind of corporation has peculiar facilities for such accumulations, and most governments have found it necessary to exercise great caution in their grants of corporate powers. Even religious corporations, professing, and in the main, truly, nothing but the general good, have proven obnoxious to this objection, so that in England it was long ago found necessary

to restrict them in their powers of acquiring real estate. Freed as such bodies are from the sure bound to the schemes of individuals—the grave—they are able to add field to field, and power to power, until they become entirely too strong for that society which is made up of those whose plans are limited by a single life."

"Not one of the anti-trust statutes of the several states aims at publicity, in order that publicity may prove a remedy."—Prof. J. W. Jenks.

"There is no magic in a corporate organization which can purge the trust scheme of its illegality, and it remains as essentially opposed to the principles of sound public policy as when the trust was in existence."—Supreme Court of Illinois in the case of the whisky trust, 1895.

"The days of free competition and the individualism consequent upon it seem to be past. Competition still exists in certain lines of industry. It will last there a long time yet. But in all lines of industry where advantageous use can be made of great capital and the consequent complex but very efficient organization that goes with it, there is no longer the free competition that earlier economists took as the basis of their reasoning, and that the great mass of the people still assume to be the normal condition for business. There is still in these industries much battling of the giants, but such conflicts are exhausting, and more and more often we see, and still more often shall we see, the exhausted contestants making first a truce and then a firm alliance of offense and defense. I expect to live to see the day when the political economists,, to be as near the normal conditions of society as they can be in their assumptions for deductive reasoning on questions of the production and distribution of wealth, must consider that a very large proportion of the productive business of society is on a monopoly basis."—Prof. J. W. Jenks, on "Capitalistic Monopolies," in "Political Science Quarterly," September, 1894.

"Legislative misdeeds have their root in the error that society is a manufacture, whereas it is a growth."—"Social Statics," by Herbert Spencer.

"We certainly need to know more than that in its outward appearance a trust resembles an octopus."—Prof. John Bates Clark in *"Political Science Quarterly,"* for June, 1900.

"If we are in the habit of looking at direct consequences and disregarding indirect ones, we shall see grounds for active public interference in almost all cases of industrial combination. But the man who is in the habit of looking at indirect consequences will see that the indiscriminating attempt to prevent evil often results in preventing even a greater amount of good. He will be prone to take the individualistic view of the matter. He will be disinclined, except as a last resort, to put the business into the hands of a government whose agents are almost always chosen on other grounds than those of industrial efficiency, and whose methods are much less flexible than those of a private corporation. He will be indisposed to see stringent regulations put in force until he is convinced that milder remedies are inadequate to protect the interests of the public as a whole."—From *"Economics,"* by Arthur T. Hadley.

"The great political superstition of the past was the divine right of kings. The great political superstition of the present is the divine right of parliaments."—Herbert Spencer in essay on *"the Great Political Superstition."*

Reforming men's conduct without reforming their natures is impossible; and to expect that their natures may be reformed otherwise than by the forces which are slowly civilizing us is visionary.—*"Social Statics,"* by Herbert Spencer.

"The progress of social life at large is a progress in fitness for living and working together; and all minor societies of men found within a major society—a nation—subject their members to sets of incentives and restraints which increase their fitness. The induced habits of feeling and thought tend to make men more available than they would else be, for such higher forms of social organization as will probably hereafter arise."—Herbert Spencer on *"Trade-Unionism."*

In the case that recorded modern English sentiment toward trade combinations, the case of the Mogul Steamship Company, the House of Lords confirming the decision of the court,

the court—Lord Justice Bowen—said: "To say that a man is to trade freely, but that he is to stop short at any act which is calculated to harm other tradesmen, and which is designed to attract business to his own shop, would be a strange and impossible counsel of perfection."

Wall street witticism: "A syndicate is a body of men entirely surrounded by water."

Concluding section in the proposed act amending the Sherman anti-trust law: "Nothing in this act shall be so construed as to apply to trade unions or other labor organizations, organized for the purpose of regulating wages, hours of labor, or other conditions under which labor is to be performed."

This act has passed the House of Representatives of the United States, by vote of both the Republican and Democratic parties, and now awaits action in the Senate.

"The danger lies in outside capital placing its money indiscriminately during a period of rising prices in enterprises whose current profits and actual assets are practically unknown to it. Financial history records no episode of this kind which has escaped the penalty."—New York "Commercial and Financial Chronicle."

"There can be no doubt that a high capitalization brings pressure to bear upon officers of corporations to raise prices of their products. Payment of dividends is likely to seem their first duty, and they push prices as high as the market will bear."—"The Trust Problem," by Professor J. W. Jenks.

Epigram by Lord Justice James on Lord Westbury:

"He was an energetic and successful statesman, and, during the three years over which the tenure of his office extended, he abolished the time-honored institution of the courts of insolvency, the ancient system of conveying land and the eternity of punishment. So lately as on Tuesday last, by a judicial decision of the privy council, he abolished hell, with costs, and took away from the orthodox church party in England their last hopes of everlasting damnation."

"It is a scathing comment upon the ignominious disregard of truthfulness which has come to be a recognized element of financial strategy among us that, with a few exceptions, the

word of scarcely one corporation officer is accepted as final, and that his saying a thing is so or not so does not remove doubts about it in the public mind."—"Matthew Marshall" in New York "Sun" and Chicago "Inter Ocean," April 9, 1900.

"He who utilizes a new material, improves a method of production, or introduces a better way of carrying on business, and does this for the purpose of distancing competitors, gains for himself little compared with that which he gains for the community by facilitating the lives of all."—"The American Essays," by Herbert Spencer.

Constitution of the United States, 14th amendment: "No state shall deprive any person of life, liberty, or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws."

Monopoly plank, in rejected amendment to platform, offered by General Benjamin F. Butler, in Democratic national convention of 1884: "Every species of monopoly engenders two classes, the very rich and the very poor, both of which are equally hurtful to a republic, which should give to its people equal rights and equal privileges under the law."

"Then none was for a party—
Then all were for the state,
Then the great man helped the poor,
And the poor man loved the great;
Then lands were fairly portioned!
Then spoils were fairly sold:
The Romans were like brothers
In the brave days of old."

—"Horatius at the Bridge," Lord Macaulay.

THE UNFOLDING.

I.

What was the first man's exclusive business?

Looking after number one.

With what did he do it?

With sticks and stones, and the bones and teeth of monsters.

Then who made all that kept the first man, and thousands like him, alive?

The first man, family by family.

After unnumbered years what happened?

A fellow feeling and the advantages of numbers, in the brute age of the world, moved primitive man to join his family with the families of other creatures like him.

What next?

Centuries were buried upon centuries, and civilization sprouted out of savagery.

What was man learning the while?

He was learning that if a man fits himself to do one thing well, he will add more to his own wealth and the wealth of the crowd, than if he continues to make all the things that keep his family alive.

What principle is this?

The principle of the division of labor.

How was this lesson put to use?

The workers of that earlier time began each to do the thing he did best, some working with the crowd, some wandering from place to place.

"In a letter written but a few days before his death, the late Gen. Francis A. Walker, commenting upon the fatalistic attitude of some of his friends, who were satisfied to call trusts the product of evolution, remarked that he supposed the modern train-robber was merely a normal development of the old-fashioned, commonplace highwayman, and continued: 'Some evolution is worthy of only condemnation. Some evolutionists ought to be hanged.'"—"The Trust Problem," by PROF. J. W. JENKS, July, 1900.

What was the next grand step, offensive and defensive, in the struggle for existence?

The workers of the arts and trades, the man in wool, the man in iron, the man in wood, the man in stone, the man in leather, all men, each after the thing he did best, got together, and there arose unions of masters and workmen, called guilds and crafts, which became primary factors of government.

Did this growth go on without hardship to the crowd?

There was hardship and to spare. Too many kings, too many stomachs, too little general wealth.

But what was in constant progress?

Concentration. A man, with brain under his bonnet and money in his chest, gathered a few craftsmen under one roof, and these turned out something the crowd wanted, from a rude machine. But the machines were run by hand or foot, nevertheless they were machines. It was better where there was running water for power, but master and man must go to the water whether or not that was otherwise the best place to make the desired goods.

And what was the last step?

A man drew a steam engine out of a tea kettle and the revolution of industry set in. Distance was annihilated and production was multiplied. Workers assembled not only in larger factories, but factories assembled and created new communities. Here and there the blind and ignorant resisted and did violence, but the new power spurred invention, and invention called for labor.

Now what had been the law of commerce and industry thus far?

The law of competition, which rules that the greatest good comes to the greatest number in the search of each man to buy

The growth of the unit of industry, the business unit, is thus explained by John A. Hobson, in "The Evolution of Modern Capitalism": "The typical unit of production is no longer a single family or a small group of persons working with a few cheap, simple tools upon small quantities of material, but a compact and closely organized mass of labor composed of hundreds or thousands of individuals, co-operating with large quantities of expensive and intricate machinery, through which passes a continuous and mighty volume of raw material on its journey to the hands of the consuming public. The largest growths are found in two classes of industry. First, those which close dependence on monopoly of land, or other privilege conferred by state or municipal government, has placed outside competition. In this class are placed such large businesses as railways, gas or water companies. Second, those industries where the net advantages of large scale production over small scale in competitive industry are greatest. Generally speaking, these industries where the most expensive machinery is employed come under this head, or where, as in banking or financial business, a large capital is managed more economically, and enjoys a monopoly of certain profitable kinds of work."

in the cheapest market and sell in the dearest; and that all restraint, whether upon two or eighty million people, whereby the number of competitors who would buy cheap and sell dear, is arbitrarily reduced, is held contrary to public policy and the weal of the crowd.

But what has happened since the new power cheapened and stimulated production?

Capital and labor have competed so hard, each with its kind, and each against the other, that they are driven into apparently hostile camps, from which they daily march to fields of industry, with more mutual distrust than becomes the brotherhood of man.

And what does capital say?

It says: "Competition is overproduction, low prices, waste and destruction. I cannot compete and live. If I combine all that make one product I can fix reasonable prices and high wages, and I can steady both. I can adjust supply to demand, and the control I ask and am rapidly acquiring will be for the good of the crowd."

What does labor say?

Labor says: "Competition is idleness and starvation for some, and slavery for all. The strong must fare with the weak. Combination, union, and unity is my life. I cannot compete and live."

So what is the descent of industry?

Industry is descended from the right arm of the first man through families, tribes, clans, communities, guilds, crafts, partnerships, companies, corporations, syndicates, pools, corners, and lastly, trusts.

If combination so far prevail as to utterly exclude competition even as an inconsiderable force regulating production, what condition shall we have reached?

"All great transitions in the business world are fraught with many incidental grievances and with much temporary inconvenience. Thus most thoughtful men would hold it to be utterly fallacious to take the ground that it can be harmful to the community to introduce labor-saving machinery. On the contrary, it is agreed by most sound thinkers that the invention and use of appliances for saving labor must inevitably add to the general prosperity, and ought therefore to be encouraged in every possible direction. Nevertheless, at the moment when the labor-saving device is introduced in any given trade, there results no little hardship to many individuals. It is similarly true in the business world that the growth of production on a large scale and a rapid extension of the sphere of combination has crowded many small capitalists, manufacturers and traders to the wall and caused no little loss and confusion. This, however, involves no new principle. Competition has never at any stage been a merciful or considerate system of business organization; and it is by the methods of competition that the modern combination crushes out those who do not co-operate with it."—*American Monthly Review of Reviews* (Albert Shaw, Ph.D., editor), June, 1899.

The condition preliminary to the taking over by the state of all production, as contemplated in the philosophy of socialism.

Does not this unfolding or evolution of industry seem to have been in obedience to law in the nature of man and things?

Yes.

The evolution of trusts may thus be explained in the terms of the biologist: "In each sphere of development from the growth of the planetary systems out of the nebulous mass to the ascent of the living organisms of highest endowment from the protoplasmic mass of dull and homogeneous sensation, all progress has been along the lines of differentiation of function and structure, and co-ordination of like functions in a decreasing number of structures or organizations, each characterized by an increasing centralization of control of a broadening field. If the working of the industrial force that has led to the formation of corporations and trusts is directly analogous to the working of forces that along other lines has led to analogous effects, this industrial aggregation is a natural and inimitable step of industrial evolution that therefore cannot but be beneficent in its final results."—Logan G. McPherson, in "The Meaning of Corporations and Trusts," *Popular Science Monthly*, July, 1894.

CUSTOM, COMPETITION AND COMBINATION.

II.

What three forces govern production?

Custom, competition and combination.

How does custom act?

By custom, with or without law, a seller will take less than he can otherwise get, and from sentiment, a buyer will sometimes pay more.

When has custom prevailed?

In the ages when there has been neither law nor government to protect the weak against the strong. "Custom is a barrier which, even in the most oppressed condition of mankind, tyranny is forced in some degree to respect. To the industrious population in a turbulent military community freedom of competition is a vain phrase; they are never in a condition to make terms for themselves by it; there is always a master who throws his sword into the scale, and the terms are such as he imposes. But though the law of the strongest decides, it is not the interest nor in general the practice of the strongest to strain that law to the utmost, and every relaxation of it has a tendency to become a custom, and every custom to become a right."—JOHN STUART MILL.

Is custom still operative to some degree?

Professional remuneration is regulated by custom.

How does competition act?

Competition shows itself in the effort of rival sellers to sell goods or services, and of rival buyers to buy goods or services.

"So long as we have merely the substitution of a smaller number of large competing businesses for a larger number of small ones, no radical change is effected in the nature of industry. So long as every purchaser is able to buy from two or more equally developed and effectively competing firms he can make them bid against one another until he obtains the full advantage of the economies of large scale production which are common to them. So long as there remains effective competition, all the productive economies pass into the hands of the consumer in reduction of price."—"The Evolution of Modern Capitalism," by John A. Hobson.

Each person is seeking, without restraint, to sell for the most and buy for the least.

What is opposed to competition?

Combination, where sellers or buyers act not in rivalry but concert.

What is the result of free competition between buyers and sellers?

A market price which is declared to be generally an advantageous one for society.

What are the forces that can defeat free competition?

Ignorance, custom and combination.

What is an effective combination of sellers called?

A monopoly.

Why is custom or combination an unreliable regulator of prices?

Suppose at a certain old price supply is less than demand, but custom keeps buyers from competing and forcing prices up. The low price holds, the stock is bought and freely used, and nothing induces producers to restock the market. Then comes scarcity or famine. The gain of the low price is offset by the suffering from total lack of the goods in question. Whereas if the buyers were to compete and put prices up at the beginning of scarcity the advancing price warns people to be economical. It follows then the stock will last longer. Quite likely, too, higher prices will attract a fresh stock, and the severest scarcity will be anticipated. If custom or law prevents a competitive price some buyers must go without what they want.

On the other hand, suppose at the old price supply exceeds demand, but that sellers, by custom or combination, in avoiding the effect of competition still keep prices up. True, the sellers get the old price, but purchases keep smaller than supplies, and the visible stock increases to the limit of carrying capacity. What happens? Either some of the goods will deteriorate with so much loss to people at large, or the glut will throw enormous stocks on the market at a sacrifice. There follows widespread commercial failure. An historical example of the truth that there is danger to everybody in non-competitive prices is the famous French copper syndicate that wrought wide ruin in 1888.—Condensed from "Economics," by Arthur T. Hadley.

How may the benefits of competition be shown?

Suppose that in a free market iron will not bring enough to pay for making it, but that copper shows a large excess over production. New investors therefore turn to copper, and those already in expand to their utmost. The result is less iron and more copper, until iron is exhausted, though the want continues.

The men that stuck to iron will now charge higher and yet sell; but the multitude that took to copper, increasing its permanent supply, must charge less to call forth a corresponding demand. This goes on until the profit in copper is no greater than in iron.—Condensed from “Economics,” by Arthur T. Hadley.

But does this adjustment hold good for but two products where free competition sets the market price?

“This adjustment actually takes place among the industries of the country as a whole. There is a constant supply of free capital and labor seeking investment in localities and industries where the higher profits are to be obtained, and not entering those where the profits are lower. This process tends to force down the prices of products in lines where they have been unfairly high, and to maintain or increase them in those where they have been disproportionately low. When this equalizing process has taken place, the price is said to be *normal*. A normal price is reached when the product has so adjusted itself to the demands of consumers that the market price affords the current rate of profit to the producer who enjoys no extraordinary advantage.”—“Economics,” by Arthur T. Hadley.

But with these obvious benefits of competition why is capital rushing faster and faster to combination and concentration?

In part because competition has failed to give fair or stable rates. “No concern will quit competition as long as it can pay an appreciable part of its interest charges. It is better to lose part of your interest on every piece of goods you sell, than to lose the whole of it on every piece you do not sell. As long as the price received more than covers the expense for wages and ma-

“The endeavor of a number of individual businesses in a trade to fix and maintain a certain profitable scale of prices is constantly frustrated. The introduction of new machinery enabling certain firms to make a profit at prices below the tariff (market rate) induces them to utilize their full productivity, cut prices, and still sell at a profitable price; others involved in the meshes of speculative production are compelled to cut prices, and effect sales even at a loss. The difficulty of finding safe investment drives new capital into the hands of company promoters, who fling it with criminal negligence into this or that branch of production, underbidding the tariff to win a footing in the market. All these forces render loose agreements to limit competition more and more inadequate to secure their purpose. Frequent experience of the impotence of these practical forms of co-operation drives trade competitors to seek ever closer forms of combination. An issue of this necessity is the syndicate and the trust. By raising the co-operative action so as to cover the whole, and by thus reducing the competition to zero, it is hoped that a union may be formed strong enough to maintain monopoly prices. Thus the trust is seen as the logical culmination of the operation of economic forces which have been continually engaged in diminishing the number of effective competitors, while increasing their size and the proportion of their energy devoted to the competition.”—“The Evolution of Modern Capitalism,” by John A. Hobson.

terials each of the old factories will continue to compete. Even if it changes ownership by foreclosure it will remain in operation. But, on the other hand, no new competitor will be called into being unless the price is high enough to afford a liberal profit after paying interest, maintenance, and other charges on fixed capital invested under modern methods. Thus prices, instead of constantly tending to gravitate toward an equitable figure, oscillate between two extremes. The rate of production, at figures which give a fair profit, is usually either much larger than the rate of consumption, or much smaller. In the former case prices are unremunerative and unjust to the producer; in the latter case they are oppressive to the consumer. The average price resulting from such fluctuations may perhaps be a fair one, but the wide changes of price are disastrous to all parties concerned,"—"Economics," by Arthur T. Hadley.

In view of this state of things what follows?

Combination, the fittest striving by union to survive.

What is the simplest form of combination?

An agreement to maintain rates.

Is it effective?

No, the parties concerned are not sure of the control of their agents. Cut rates and general demoralization follow.

When competing concerns cannot maintain rates, as against agents or outsiders, under an agreement, what can they do?

They can arrange a pool or division of traffic, or divide the earnings from such traffic.

Are pools legal?

The courts of the United States will not enforce their contracts, holding them in restraint of trade. In England pools have a better standing, while in continental Europe they are a matter of course, even governments entering into pooling contracts with private companies.

"An industry which requires but small capital to carry it on will encourage hundreds, or more likely thousands or tens of thousands, of individuals to engage in it. The great variety of circumstances surrounding them, and the great difference in individual skill of the numerous competitors, make it likely that some few will be continually on the verge of bankruptcy, and that from time to time individuals will be falling over under the pressure of competition. The elimination of these least skillful or least fortunately situated competitors, whose manufacturing is carried on at the greatest cost, does not produce any wide-spread depression in business, but serves rather to elevate the general average of skill in the industry. While the individual unfortunates may perhaps be sympathized with in their misfortunes, their loss is, after all, a gain to industrial society, since thereby the plane of production is raised."—"The Trust Problem," PROF. J. W. JENKS, 1900.

When competing companies are forbidden to divide business by contract what can they do or have they done to regulate competition?

Form a trust.

And if trusts are prohibited?

Then actually consolidate the competing companies.

Next to economy what is claimed the fundamental benefit of combination?

Its influence in steadying production, and correcting trade paralysis known as "industrial depressions," which are phenomena not perfectly understood by economists.

What influence favors overproduction?

The concentration of labor.

How have manufacturers sought to overcome the trade instability which overproduction brings?

By consolidation of competing interests—by trusts.

How has the concentration of capital and labor affected employment?

"In the recent investigation that has been made of the extent of unemployment it has been almost universally reported that unemployment is more frequent in the small than in the large establishments."—WM. F. WILLOUGHBY, *Yale Review*, May, 1898.

What economic principle should guarantee constant employment to workmen in great establishments?

The principle that great capital to be remunerative must be steadily employed.

What appear to be some of the social advantages to labor in great establishments?

Greater safety and convenience in the processes of difficult and dangerous work. More baths, libraries, club houses and eating rooms. More cottages, less sweatshops and less tenements. And it is presumed, without comparative statistics to prove it, that wages and hours are better in large than in small establishments.

Through concentration what increase of social and political power comes to labor?

As labor concentrates, so its organization strengthens and unifies. Strikes will be less, but vastly more serious. Witness this:

The Associated Press reports that on July 21, 1900, the Executive Council of the American Federation of Labor, sitting in Denver, issued the following appeal to all wage-workers to organize and federate: "Throughout our country a struggle is raging between the oppressor and the oppressed, the possessors of wealth and the laborers; the concentration of industry and wealth is the order of the day. Everywhere the workers must

suffer disastrous results unless they organize and federate to protect and promote their mutual interests.

"In this combination and concentration of wealth the possessors permit no sectional or state lines to interfere with their power, and it therefore behooves the toilers, the wealth producers, **to unite and federate regardless** whether they are located East, West, North or south; irrespective of sex, politics, color or religion. The hope of the workers, the prayer of all our people, for justice and right, and the perpetuation of republican institutions lies in organized labor.

"Recognizing these essential truths the Executive Council of the American Federation of Labor appeals to all wage-workers of whatever trade or calling to organize unions where such do not exist, to join those already organized, to form unions and international unions of their respective trades and callings, and to affiliate in one common bond of labor upon the broad platform and under the proud banner of the American Federation of Labor.

"In calling upon the workers to unite and federate we aim to do no one wrong, but establish justice for all."

What conclusions may be reached from past efforts to prohibit combination?

"The attempt to prohibit combination has proved futile, and has simply driven the competing concerns into closer consolidation. Had it been successful it must either have retarded the development of modern business and the utilization of modern methods requiring concentrated management of capital, or it must have subjected all of our large industries to constant fluctuations in their scale of prices, which would have been hardly less disastrous to the consumer than to the investor."—"Economics," by Arthur T. Hadley.

How may the ascent to the climax of cutthroat competition be portrayed?

"There is every reason to believe that with a diminution in the number of competitors and an increase of their size, competition grows keener and keener. Under old business conditions custom held considerable sway; the personal element played a larger part alike in determining quality of goods and good faith; purchasers did not so closely compare prices; they were not guided exclusively by figures; they did not systematically beat down prices, nor did they devote so large a portion of their time, thought and money to devices for taking away one another's customers. From the new business this personal element and these customary scruples have almost entirely vanished, and as the net advantages of large scale production grow more and more attention is devoted to the direct work of competition. Here we find that it is in precisely those trades which are most highly

organized, provided with the most advanced machinery, and composed of the largest units of capital, that the fiercest and most unscrupulous competition has shown itself. The growing scale of the business has intensified and not diminished competition. The endeavor to secure safety and high profits by the economies of large scale production is rendered futile by the growing severity of competitive process. Each big firm finds itself competent to undertake more business than it already possesses, and underbids its neighbor until the cutting of prices has sunk the weaker, and driven profits to a bare subsistence point for the stronger competitors. So long as the increased size of business brings with it a net economic advantage, the competition of ever larger competitors whose total power of production is far ahead of sales at remunerative prices, and who are therefore constrained to devote an increased proportion of energy to taking one another's trade, must intensify the cutthroat warfare. The diminishing number of competitors in a market does not ease matters in the least, for the intensity of the strife reaches its maximum when two competing businesses are fighting a life or death struggle. The reward of victory over the last competitor is the attainment of monopoly."—"The Evolution of Modern Capitalism," by John A. Hobson.

What, then, seems to be the law of limited competition, the law of the survivors?

"An increased intensity of competition among those who handle the large accumulations of capital. This is contrary to the popular view. It is commonly assumed that the more competitors you have, the greater will be the intensity of competition. But in actual experience there is no competition in the world so intense as that which prevails between two highly organized bodies that stand opposed to one another. In the old days of small concerns there was much more slackness of management, and much larger profit per unit of product, than we find today. It is proverbial that the largest houses can make the closest calculations in selling goods at a slight market above expense, and competition is generally strong enough to force them to make these calculations closer than would have been deemed possible a half century ago—in other words, to keep down profits."—From "Economics," by Arthur T. Hadley.

What kind of industrial leaders does combination bring to the front?

"There is a process of natural selection of men who have ability to manage capital. Under this system we have not simply a selection of the strong and an elimination of the weak, nor a selection of the industrious and an elimination of the lazy, but a selection of the prudent and intellectual with an elimination of the reckless

or emotional. The moral character of the employers thus developed presents a mixture of good and bad qualities. The control is placed in the hands of men who are enterprising and efficient, but often narrow and unscrupulous. They possess sagacity which enables them to deal with the market, they often fail to possess that broader sagacity which would enable them to deal equally well with those in their employ. The danger of this deficiency is greatly intensified by the possibility of speculating with borrowed capital, and gaining control of industrial enterprises by transactions which are virtually gambling."—From "Economics," by Arthur T. Hadley.

How big can a trust grow?

"The size of the business unit of maximum efficiency must depend upon the capacity of the head of the business unit, upon the nature of the particular business, and upon the progress which, at the given moment, has been made in the methods of organization. Whenever business outgrows the capacity of one man to maintain unity, the danger point is reached. Men differ greatly in the generalship required for the management of a vast business, and unity is maintained in some businesses far more easily than in others. It is quite possible that with a division of the railways of the United States into suitable geographical areas, each with a large measure of autonomy, a unified management could in a general way be exercised over them all. The size of the business concern in manufacturing over which unity can be exercised is, so far as can be seen, much smaller; and still smaller is the mercantile establishment over which unified control can be exercised. Vastly smaller in agriculture is the size of the business unit over which unified control can be exercised."—PROF. RICHARD T. ELY.

"The man of really great executive ability knows so well how to organize his business that men of inferior capacity, working under his system, even though only upon salaries, are enabled to do better and more careful work by far than the same men in an independent position, where they are unable to consult to advantage men more skilled than they. One chief gift of a great executive is the power to select and direct subordinates."—"The Trust Problem," by PROF. J. W. JENKS.

"Without ignoring the fact that the competitive system plays a noble part often in selecting for industrial society the great leader, it is still true that one of the chief wastes of competition is found in the fact that the separate establishments are mostly in the hands of mediocre men, who, unable to effect the savings that come from the most skillful organization or from a judicious forecast of the market, lose money for their stockholders without any saving to consumers from low prices."—"The Trust Problem," by PROF. J. W. JENKS.

MONOPOLY IN HISTORY AND LAW.

III.

How early in English history did combinations need restraint by the king?

As early as the reign of Edward VI, 1537 to 1553, is found an "act against regrators, forestallers and ingrossers."

What was a regrator?

A forehanded speculator who got control of merchandise, provisions or live animals at a fair or market, with the intention to sell them where he bought them, or in a like place four miles from there.

What was a forestaller?

A man looking for more than his share of the market in much the same way. He would buy goods on their way to market, or dissuade people from bringing them in, or persuade them to raise the price when they put them there.

What was an engrosser?

Of the same class with the two others. He would buy or contract for large quantities of provisions, even grain in the field, in order to get a monopoly and fix his own price.

What happened to such a speculator on conviction?

On first conviction he was locked up two months and forfeited the goods; on second, six months and double the goods; on third, "every such person shall be set on the pillory in the city, town

"The question is not whether monopoly is to continue. The sun sets every night on a greater majority against it. We are face to face with the practical issue: Is it to go through ruin or reform? Can we forestall ruin by reform? If we wait to be forced by events we shall be astounded to find how much more radical they are than our utopias. Louis XVI waited until 1793 and gave his head and all his investitures to the people who in 1789 asked only to sit at his feet and speak their mind. Unless we reform of our own free will nature will reform us by force as nature does. History is the serial obituary of the men who thought they could drive men."—Henry D. Lloyd in "Wealth against Commonwealth."

or place, where he shall then dwell or inhabit, and lose and forfeit all the goods and cattle, that he or they have to their own use, and also be committed to prison there to remain during the king's majesty's pleasure."

How have monopolies always come?

From power—in earlier times from kings. They came from the source of power to strengthen that power.

How may the monopoly of kings be defined?

"A monopoly is an institution or allowance by the king by his grant, commission or otherwise to any person or persons, bodies politic or corporate, of or for the sole buying, selling, making, working, or using of anything, whereby any person or persons; bodies politic or corporate, are sought to be restrained of any freedom or liberty that they had before or hindered in their lawful trade."—LORD COKE.

What sovereign was specially generous with monopolies?

Elizabeth. Hers had been a great reign, and she was much indebted to the men of all sorts who helped her make it so. She lacked money to reward them appropriately, so, in the words of the historian Hume, "she granted her servants and courtiers patents for monopolies and these patents they sold to others, who were thereby enabled to raise commodities to what price they pleased, and who put invincible restraints upon all commerce, industry and emulation in the arts. It is astonishing to consider the number and importance of those commodities which were thus assigned over to patentees. Currants, salt, iron, powder, cards, calfskins, fells, pouldavies, ox-shins, train oil, lists of cloth, potashes, anise seeds, vinegar, sea coals, steel, aqua vitæ, brushes, pots, bottles, saltpeter, lead, accidents, oil, calamine stone, oil of blubber, glasses, paper, starch, tin, sulphur, new drapery, dried pilchards, transportation of iron, ordnance, of beer, of horn, of leather, importation of Spanish wool, Irish yarn. These are but a part of the commodities which had been appropriated to monopolists. When this list was read in the house (of parliament), a member cried 'Is not bread in the number?' 'Bread!' said every one with astonishment, 'Yes, I assure you,' replied he, 'if affairs go on at this rate, we shall have bread reduced to a monopoly before next parliament.' These monopolists were so exorbitant in their demands that in some places they raised the price of salt from sixteen pence a bushel to fourteen or fifteen shillings. Such

It is not a verbal accident that science is the substance of the word conscience. We must know the right before we can do the right. When it comes to know the facts the human heart can no more endure monopoly than American slavery or Roman empire. The first step to a remedy is that the people care. If they know they will care.—HENRY D. LLOYD in "Wealth Against Commonwealth."

high profits naturally begat intruders upon their commerce, and in order to secure themselves against encroachment, the patentees were armed with high and arbitrary powers from the council, by which they were enabled to oppress the people at pleasure, and to exact money from such as they thought proper to accuse of interfering with their patent. And while all domestic intercourse was thus restrained, lest any scope should remain for industry, almost every species of foreign commerce was confined to exclusive companies, who bought and sold at any price that they themselves thought proper to offer or exact." Such was monopoly by royal patent in the days of good Queen Bess.

Was such oppression and economic folly long endured?

No. In 1602, such patents were declared void, in a case growing out of a monopoly in playing cards granted by Elizabeth to one Edward Darcy, a groom of the privy chamber.

What doctrine concerning the evils of monopolies did the court here lay down?

It held: First, "The price of the same commodity will be raised, for he who has the sole selling of any commodity, may, and will make the price as he pleases. The second incident to a monopoly is, that, after the monopoly is granted, the commodity is not so good and merchantable as it was before, for the patentee, having the sole trade, regards only his private benefit and not the commonwealth. Third, it tends to the impoverishment of divers artificers and others, who before, by the labor of their hands in their art or trade, had maintained themselves and their families, now will of necessity be constrained to live in idleness and beggary." This position of the court was afterward confirmed by parliamentary statute. In later years the rigor of the statute laws against monopolies in restraint of trade was somewhat relaxed, and under George III the laws of Edward VI against regrators, forestallers and engrossers were repealed. But the courts construed the enactment their own way, and held that to create a monopoly in the legal sense, it was not necessary to get possession of the whole of any product, or even of a large part, but it was illegal if there was engrossing enough to increase the price at a specified time and place. This rule was established in a case in 1800.

What great industrial change modified the doctrine of monopoly?

The introduction of machinery and improvements in transportation. Under such new conditions, wrought as by a revolution, many of the statutes against monopolies were repealed, and the courts treated with less severity combinations of capital developing business in the new way.

Upon what case did English practice pivot and face about toward the new industrial day?

The case of the Mogul Steamship Company vs. McGregor, decided in the court of appeal. This decision finds certain acts creating monopolies to be legal, that had previously been held illegal and void. In this case the defendants were firms of ship owners in the China tea trade. Working for a monopoly in the homeward business they offered a 5 per cent rebate to merchants shipping exclusively in the ships of this association, or "conference." The plaintiffs, not being in the combination, suffered. The court, sustaining the lower court, held that the association was formed to keep the tea trade in their own hands, and not to ruin the Mogul Steamship Company, and that it was through no personal malice or ill will toward that company that they had combined to do business. Therefore the combination was not unlawful, and no action for conspiracy could be maintained. But were the means adopted unlawful? The court declared that the means adopted were competition carried to the bitter end, but that to limit combinations of capital, when used in competition, as the plaintiffs proposed, "would, in the present day, be impossible—would be only another method of attempting to set boundaries to the tides." Furthermore, speaking in general principles, if the real object of combinations were to enjoy what was one's own, or to acquire for one's self some advantage in one's property or trade, and what was done was done honestly, peaceably and without any harmful acts, it could not be said that combination was entered into without just cause or excuse. And, borrowing, for the benefit of traders, from the decision in another case, relating to workmen and masters, the court said: "The intention of the law is at present to allow either of them to follow the dictates of their own will, with respect to their own actions and their own property, and

In water transportation combinations to fix rates, passenger and freight, are everywhere common. In England "chambers of shipping" are organized in different ports, in which principal ship owners join to fix rates. The combination is even international, both English and German companies uniting to maintain rates. In the South African trade a German-British combination controls by a system of rebates, 10 per cent being deducted from the freight rate and returned to each shipper on condition that he ships no goods by vessels not in the combination. It does not follow that these so-called "shipping rings" are popular. In March, 1898, the Association of Chambers of Commerce of England called upon the government to withdraw subsidies from shipping companies which joined in agreements whereby British shippers were charged more than foreign competitors. Monopolies of today are indeed far wider than national boundaries. In ocean cables competition brought on consolidation and agreements, and now free competition in cable service is practically unknown. England and her colonies are suffering and protesting.—Condensed from "Monopolies and the People," second edition, 1899, CHARLES WHITING BAKER, editor *Engineering News*.

either has a right to study to promote his own advantage, or to combine with others to promote their mutual advantage."

Has popular sentiment in England sustained the courts' construction of the rights of combination?

Yes, under Victoria, the common law has been modified by statute, abolishing the offenses of "badgering, engrossing, fore-stalling and regrating." By later statutes there has been an enlargement of "the power of combination between workmen and workmen, and between master and master, for the purpose of maintaining and enforcing their respective interests and to remove the objection of being in restraint of trade, to which some of such combinations had been obnoxious."

What seems to be the sentiment in Germany toward trusts?

The highest court of the German empire, sitting at Leipsic, has approved the formation of trusts, and, as reported by the *Berlin Tageblatt*, on the following grounds: "When in certain industrial pursuits the prices of products are sinking so low as to make business impossible or as to endanger the successful carrying on thereof, the crisis which necessarily follows is not only disastrous to the individual concern, but also to international affairs generally. For this reason it is in the interest of the entire state that inadequately low prices shall not prevail too long in any industrial branch. Realizing this principle, the legislative bodies have repeatedly, and only recently, undertaken to bring about an increase in the prices of certain products by the establishment of productive duties. For this reason it cannot be deemed certainly, or generally speaking, obnoxious to the interests of the community when the manufacturers of certain articles form what is called a trust, with the object in view of preventing ruinous competition, and for the purpose of mitigating the downward tendency in the prices of their particular manufactures. On the contrary, such combinations can be looked upon, not only as warranted by the instincts of self-preservation, but as a measure for the interest of the whole community as well. Especially is this true in cases where prices are so low that the manufacturers of the article are on the verge of financial disaster. For this reason the building of syndicates or trusts has been designated by a number of authorities as a means which, when properly managed, would prove extremely expedient to prevent detrimental and unwarranted overproduction."

What is the American doctrine as shown in decisions and laws?

"The law on this subject, as established and administered in England, is accepted in this country only in a general sense. As a rule it may be said that in the consideration of the legality of a combination or covenant in restraint of trade, the decision will turn upon the reasonableness of the restraint. A court of equity

will inquire, not whether the restraint extends to an entire state or to the nation, but whether it is a reasonable and proper protection of the party in whose favor the covenant is made, and whether it is prejudicial to the public interests. At present there is a strong tendency to the restricting of the right of restraint."—"Treatise on the Laws of Monopolies and Industrial Trusts, as Administered in England and United States of America," Charles Fisk Beach, Sr.

Upon what principle do the courts decline to uphold contracts in restraint of trade?

On the ground of their unreasonableness. Several considerations have been stated by the Supreme Judicial Court of Massachusetts: 1. Such contracts injure the parties making them, because they diminish their means of procuring livelihoods and a competency for their families. They tempt improvident persons, for the sake of present gain, to deprive themselves of the power to make future acquisitions, and they expose such person to imposition and oppression. 2. They tend to deprive the public of the services of men in the employments and capacities in which they may be most useful to the community as well as to themselves. They discourage industry and enterprise, and diminish the products of ingenuity and skill. 4. They prevent competition and enhance prices. 5. They expose the public to all the evils of monopoly. And this especially is applicable to wealthy companies and large corporations who have the means, unless restrained by law, to exclude rivalry, monopolize business and engross the market. Against evils like these wise laws protect individuals and the public by declaring all such contracts void.

Then what contracts in restraint of trade will be held valid?

"A contract in restraint of trade will be held valid where it is limited in its operation, is founded upon a valuable consideration and is reasonable in its provisions. It must not be oppressive to the party restrained from taking advantage of his necessities; it must not involve a sacrifice of his interests as the result of an injudicious surrender of his rights, and it must not be prejudicial to the interests of the public. All covenants in general restraint of trade, that is all contracts which restrain a man from carrying on business, or from the practice of his profession or trade without any limit of time or space, or without a valuable consideration are void. But all agreements in particular or partial restraint of trade, that is all agreements which are subject to proper limitations of time and space, which are not unreasonable or prejudicial to the public welfare, will be upheld."—CHARLES FISK BEACH, SR.

THE NATURE OF MONOPOLY.

IV.

What is a popular synonym for "trust"?
Monopoly.

What is monopoly?

"Monopoly means that substantial unity of action on the part of one or more persons engaged in some kind of business which gives exclusive control, more particularly, although not solely, with respect to price."—PROF. RICHARD T. ELY.

What then is the key to monopoly?

Unity of action—the acting together like one man—unity of control in business.

How may you define monopoly by percentage?

The man or men who own 80 per cent of a business, and control it, have monopoly. ("Monopoly" is composed of two Greek words meaning "exclusive sale.")

What is another definition of monopoly?

"Such an exclusive privilege to carry on a traffic, or deal in, or control a given class of articles as will enable the holder to raise prices materially above what they would be if the traffic or dealing were free to citizens generally."—CENTURY DICTIONARY.

What then seems to practically constitute monopoly?

The exclusive right of selling.

If a man would reason truly and legislate wisely on monopoly what would he better do at the start?

He would better distinguish between production on a large scale and monopoly.

What further distinction should he sharply make?

The distinction between mere combination and monopoly.

The definitions and essential opinions constituting this chapter are gathered from "Monopolies and Trusts," by Prof. Richard T. Ely, University of Wisconsin, 1899.

What is a broad and general classification of monopoly?

Partial monopoly and complete monopoly. "We have partial monopoly where there is a unified control over a considerable portion of the industrial field, but not over a sufficient portion to give complete domination of the whole field."—PROF. RICHARD T. ELY.

If monopoly becomes intolerable what can be done?

Let it remain, but go around it, get a substitute.

For what is there no substitute?

For the farmer's crops. But an agricultural trust has never yet been perfected.

Next to partial and complete monopoly what is another grand classification?

Public monopolies and private monopolies.

What is a public monopoly?

A public monopoly is a business owned and run by and for a political unit like a city, state or nation. The American postoffice and the British telegraph system are public monopolies.

What is a private monopoly?

A private monopoly is one owned and run by an individual, partnership or private corporation.

What is a quasi-public corporation?

It is a corporation privately owned, but dead property unless used by the public. In this class are railways, gas, water and electric light works.

What are the next grand classifications of monopoly?

Social monopolies and natural monopolies.

What is a social monopoly?

A social monopoly grows out of organized society, and is created by people for what they believe the public good.

What are some social monopolies?

Patents, copyrights, public consumption monopolies, trade marks (in a limited degree), fiscal monopoly, also special privi-

"The telegraph is a natural adjunct of the postoffice. In most other countries it has long been managed as a part of that public service, to the great advantage of the people. Left in private hands, as it has been, it has operated to the manifest detriment of the public. Through its discriminations a gigantic press censorship is maintained, inventions calculated to promote the use of electricity in the distribution of intelligence have been suppressed, oppressive purposes of the railroad combinations have been subserved, and a powerful corporate agency for the corrupt manipulation of law making bodies has been maintained."—From address of National Anti-Trust Conference, Chicago, February 12, 13 and 14, 1890.

lege monopolies, which are based on public and on private favoritism.

What are public consumption and fiscal monopolies?

The government of Switzerland controls the making and sale of spirits. South Carolina runs a dispensary system. Such monopolies may be called public consumption monopolies. France monopolies tobacco manufacture, and in a simple way raises a good revenue for the public treasury. This is called a fiscal monopoly.

Under special privilege monopolies what are those based on public favoritism?

Former royal and legislative grants, some being abused and some working out for the general welfare. One of them was the monopoly given the East India Company, which made the way for empire.

Is the current tariff policy of the United States said to furnish another example of public favoritism contributing to monopoly?

"Another illustration would be a monopoly founded upon a protective tariff. Whenever a monopoly has this basis, it is an abuse of the idea of a protective tariff, because protectionism claims to restrict competition, but not to cut it off."—PROF. RICHARD T. ELY.

What are special privilege monopolies resting upon private favoritism?

"It is favoritism which produces the chief class of special privilege of those corporations having natural monopolies. Of course we have especially in mind the favoritism of the railroads. Here we have one of the chief causes of monopolies. Frequently monopolies which are attributed to other causes are traceable, strictly speaking, to private favoritism. This gives us a partial explanation of the trusts, in so far as these have secured monopolies. When it is said that monopolies rest upon mere mass* of capital, or upon special skill, it will probably be found, if the investigation is carried far enough, that they rest upon private favoritism."—PROF. RICHARD T. ELY.

*"Will experience justify the contention that mere possession of great capital will give substantially monopolistic power permanent in its nature, unless some element of legal or natural monopoly or some special favor, such as comes from the tariff or from discriminating rates on railroads, be also secured? Of course this question cannot be settled absolutely on a basis of fact until after more years of experience; but certain advantages come from the possession of large capital which clearly under our present system of laws tend toward monopoly; and, so far as we have a basis of experience in fact, that experience seems to justify the belief that monopoly within certain limits (i. e., monopoly as the word is at

What is a natural monopoly?

A natural monopoly is one not created by society, but existing outside social arrangements. Among natural monopolies may be classed those arising from a limited supply of raw material; those from properties inherent in the business, and those from secrecy. Among monopolies depending upon a limited supply, and strengthened by transportation privileges, may be said to be those of oil, natural gas and anthracite coal. Monopolies arising from properties inherent in the business are the chief class of natural monopolies, such as the postoffice, telegraph and telephone lines, bridges, ferries, gas works, street railways, etc.

What are the chief characteristics of natural monopolies of this kind?

First, that what they do or sell must be in connection with certain favored spots of land. Second, what they do or sell must be in connection with the plant itself—a railway's service cannot be separated from the plant. Third, the returns are governed by what is called the law of increasing returns, the greater the output the larger the returns.

How does this law lead to monopoly?

Combination lowers cost, increases output, and increases profits, or adds, as the political economist would say, an increment of gain. So, whenever there is a sure increment of gain by combination there is then a tendency toward monopoly. The owners of the department stores of Chicago have not yet combined, probably for the reason that they see no gain in a partial monopoly of the retail business of this city.

present used, meaning unified control enough to hold competitors well in check, as evidenced by the power to put prices higher than former competitive rates while still excluding nearly all competitors), may be secured simply by the possession of large capital."—"The Trust Problem," by PROF. J. W. JENKS, 1900.

"The patent system establishes certain monopolies, and these monopolies are not always harmless. Patents are given 'to promote the useful arts,' but the inventor whom they are supposed to encourage reaps but a small share of the profits of his inventions. Valuable improvements soon fall into the hands of large companies, who are able to defend them in the courts, and reap all possible profits by their use. Again, patents sometimes aid in the formation of trusts and combinations."—Charles W. Baker, in "Monopolies and the People."

Bradstreet's, Feb. 24, 1900:

"Legislation against department stores has been no novelty in the West, but so far, where it has been tested before the courts, it has been declared to have no constitutional sanction. This was the conclusion reached by the supreme court of Illinois in the case decided by it in December last, and the example of the Illinois court has been followed within the week by the supreme court of Missouri, which has held the

What seems the future of the businesses having the characteristics of natural monopolies?

Thousands of efforts to introduce permanent competition into the field of natural monopolies have failed. The movement in these quasi-public services—gas, telegraph, etc.—is clearly toward monopoly.

What is the great American problem in natural monopolies?

The railroads.

What is their tendency?

Consolidation.

What did Germany try?

Tried competition between government roads and private roads. But divided control failed, and the government bought the private roads. France has tried both methods, and gets the best results from the roads privately owned. England secured considerable harmony in large competitive private systems.

What is a monopoly based upon secrecy?

Secret processes of manufacture.

How can we best reason about monopolies, differentiate monopolies, legislate about monopolies, restrict monopolies, abolish monopolies, endure monopolies?

By first knowing what we are talking about. Sort things out. Professor Ely sorts monopolies this way:*

First Classification.

- A. Public Monopolies.
- B. Private Monopolies.

Second Classification.

- A. Social Monopolies.

state act providing for the taxation of department stores unconstitutional. The act has been declared unconstitutional on the ground that it lacks uniformity, is uncertain in its terms and constitutes class legislation. The court said that "due process of law is denied when any particular person of a class, or of the community, is singled out for the imposition of restraints or burdens not imposed upon and to be borne by all of the class or of the community at large, unless the imposition or the restraint be based upon existing distinctions that differentiate the particular individuals of the class to be affected from the body of the community."

*Classifications of monopolies by other economists: Prof. J. W. Jenks—Legal Monopolies (patents, etc.). Natural Monopolies (railways, gas, etc.). Capitalistic Monopolies (based on mass of capital). Dr. Charles J. Bullock—(a) Personal Abilities. (b) Legal Monopolies: (1) Private (patents, etc.); (2) Public (postal business). (c) Natural Monopolies: (1) Location (anthracite coal); (2) Consumption of Product in Connection with Plant (gas, railways). (d) Capitalistic Monopolies (agreements, pools, trusts).

I. GENERAL WELFARE MONOPOLIES.

1. Patents.
2. Copyrights.
3. Public Consumption Monopolies.
4. Trademarks.
5. Fiscal Monopolies.

II. SPECIAL PRIVILEGE MONOPOLIES.

1. Those Based on Public Favoritism.
2. Those Based on Private Favoritism.

III. NATURAL MONOPOLIES.

- I. Those arising from a Limited Supply of Raw Material.
- II. Those Arising from Properties Inherent in the Business.
- III. Those Arising from Secrecy.

Third Classification.

- A. Absolute Monopolies. (Complete control over entire supply.)
- B. Complete Monopolies. (Something less than absolute and total.)
- C. Partial or Incomplete Monopolies. (Greater advantage than under free competition.)

Fourth Classification.

- A. Monopolies Which Admit of No Increase in the Supply of the Monopolized Articles. (Works of an old master.)
- B. Monopolies Which Admit of an Increased Supply of the Monopolized Articles.
 - I. With Increasing Difficulty.
 - II. With Constant Difficulty.
 - III. With Decreasing Difficulty.

Fifth Classification.

- A. Social Monopolies. (Gas.)
- B. National Monopolies. (Standard Oil.)
- C. International or Universal Monopolies. (If Standard Oil and Russian companies were to unite. See French Copper Syndicate, 1889.)

Sixth Classification.

- A. Sellers' Monopolies.
- B. Buyers' Monopolies.

Seventh Classification.

- A. Monopolies of Material Goods.
- B. Monopolies of Services.
 - I. Services Incorporated in Material Goods. (Transportation.)
 - II. Personal Services. (Monopoly on small scale: Nurse or physician.)

Note: Co-ordinate classes are indicated by the same letters or marks.

What are some of the ways monopoly finds effective to crush competition?

Withholding service or supplies, supplying them irregularly, and lowering prices. A railway by discrimination may down one competitive shipper in favor of another. By lowering prices monopoly may clear the field of competition, and then set up its own rule.

But where does monopoly find its limit in the fixing of prices?

Monopoly can control supply but cannot compel consumption.

Then monopoly is not a sure thing?

Not as sure as it looks. It is speculation—experimentation. Monopoly wants the most it can get, and plans for the highest net returns, but its returns depend upon how much people want a thing; and how much they have with which to pay for it. Wherefore street railway fares are not the same the world over.

May a law be formulated covering this point?

"The greater the intensity (degree) of customary use, the higher the general average of economic well-being; and the more readily wealth is generally expended, the higher the monopoly charges which will yield the largest net returns."—PROF. RICHARD T. ELY.

What policy may monopoly find expedient to draw business?

The policy of first charging low prices to make an article popular and indispensable; and then raising them to or beyond the limit of public patronage and endurance.

Do monopoly prices vary from time to time and place to place?

Yes, where the monopolist is free, he will keep no uniform price. He is after different classes of customers with different prices. One of the characteristic indications of monopoly is absence of uniformity in price.

What is perfect competition?

One price in a given market at a given time.

What important point about prices should we note in this connection?

Monopoly prices, though they may differ from competitive prices, do not necessarily differ. But large scale production means economy, and generally speaking, we may say that monopoly prices are higher than competitive prices. Nevertheless, let it not be forgotten that monopoly, by savings in large scale production, can charge a price positively less than competitive prices, and that when it wants to destroy competition in this way it can do so.

Is monopoly a stupid despot?

It may have been once; it is not presumed to be now. It is

now presumed to be an intelligent economist who dares not ignore the law of supply and demand, but to some degree, adjusts price to cost, and acts according to what he is selling and to the people he is selling to.

Granting that price is the god of monopoly, how may it be shown that monopoly, at a certain degree, must exhaust its power, and no longer produce with profit? In short, where must monopoly fail in agriculture, manufacture and commerce?

(By the following table Prof. Ely seeks to prove that large scale production must stop short of monopoly) :

Price.	No. of Sales.	Gross Yield.	Expenses Per Unit.	Total Expenses.	Profits.
10	1,000	10,000	8	8,000	2,000
9	2,000	18,000	7	14,000	4,000
8½	5,000	42,500	6	30,000	12,500
7	10,000	70,000	5	50,000	20,000
6	20,000	120,000	4½	90,000	30,000
5	40,000	200,000	4¼	170,000	30,000
4	60,000	240,000	4¼	255,000	15,000 (loss)
3½	70,000	235,000	4½	315,000	90,000 (loss)
3	80,000	240,000	4¾	380,000	140,000 (loss)

What does this table mean?

It means that every intelligent monopolist carries in his hat a warning that what is called the law of increasing returns can not hold good for him forever. It means that as his sales grow and prices fall he is in clover with growing profits. But it also means that he reaches a certain degree of expansion when the profits of his increased output, at a lower price, are overcome by the increasing cost of production per foot, yard, ounce, pound, ton, pint, quart, gallon, and he finds himself producing at a loss. In the present illustration price 4 with its inviting profits brings to farmer, manufacturer or tradesman a loss of 15,000.

How can taxation regulate monopoly?

On the one hand taxation may drive monopoly out of business, and on the other monopoly may charge taxation to the public. A street railway, being taxed on its fares, will raise fares and throw the burden on the public if it should lose less than if it assumed the tax without raising fares. But if it is taxed a fixed

"All the arguments which have currently been employed with reference to diminishing product apply also to diminishing value, and the law of diminishing returns is universal for all industries. The difficulty in the way of extending the law to value as well as product has arisen from the failure to apprehend that *the law is theoretical and potential rather than actual, applying as it does to a comparison of hypothetical successive rounds of production instead of to successive investments in the same round.* Its main usefulness is as a logical device for analyzing tendencies rather than coexistent phenomena."—John R. Commons's "The Distribution of Wealth."

sum on its net revenue, this burden it cannot make the public share with it.

What other influences tend to hold monopoly in check?

There is a substitute, more or less perfect, for every monopolized article, and the more a potential substitute approaches a monopolized article or service, the more dangerous it becomes to monopoly, and the more it behooves the monopolist to secure its control; and so, perhaps more than in way of illustration, the Standard Oil Company may be said to be contemplating control of the great electric light interests; and rapid street railway transportation looks to control the slower.

From the foregoing arguments, and particularly from the mathematical proposition in the table on the limitations of monopoly, what conclusions may be drawn?

Massed capital may favor monopoly, but it is not the sole cause of it. Large scale production does not necessarily abolish competition or imply monopoly. Somewhere in its growth monopoly reaches the stage of loss.

What then is a consoling truth found in these conclusions?

"Competition is a permanent social force."—RICHARD T. ELY.

What school of thought and social movement says it is not?
Socialism.

What is socialism's prophecy?

The evolution of combination into one grand trust, the people. Out of many private monopolies, one private monopoly, out of one private monopoly public monopoly. There is only this way to stay the increasing misery of the masses. Such is the philosophy of Karl Marx, founder of German socialism. Socialists, who dissent from this doctrine, claim that socialism will be realized not because of universal monopoly, and increasing misery, but because of general improved conditions.

The law of diminishing returns is thus formulated by Prof. Marshall in "Economics of Industry": "An increase in the amount of capital (or, to speak more generally, in the amount of effort) applied in the cultivation of land causes in general a less than proportional increase in the produce raised." The working of this law may be modified by improvement in the art of agriculture, and by special circumstances of soils, especially in new countries.

MUNICIPAL MONOPOLIES.

V.

From preface to "Municipal Monopolies," by Edward W. Bemis, Ph. D., Bureau of Economic Research, being a collection of papers by American economists and specialists:—"Every one concedes that soon one-half of the population of this country will be living in cities of over 8,000 inhabitants, and that to every one of these cities the supply of water, street railways, electric light, gas for fuel and lighting purposes, and the telephone at the command of every one, will have become vital necessities. Nearly every one is also ready to concede that each of these industries partakes of the character of a monopoly.

"Although competition has been tried in hundreds of places, combination, either avowed or tacit, has always been the result. The longest continued competition has been between gas and electric light, but consolidation has now occurred among companies producing such distinct forms of illumination as these.

"These great questions now confront us: Shall we have public regulation or public ownership and operation? If the former what shall be the nature of the regulation? If the latter, what are the dangers to be avoided?"

What may be said about the industry of supplying water to cities of the United States?

In 1800 there was one private waterworks and sixteen public. At the close of 1896 there were 3,196 waterworks, of which 1,489 were private, 1,690 public, twelve joint ownership and five unknown. In about a century public ownership had advanced from about 6 per cent to over 53 per cent. Nearly one-eighth of all the private works built have changed to public ownership, while only about one-seventy-fifth of public works have changed to private ownership. Of the fifty largest American cities twelve have always owned their works, nineteen have changed from private to public, and nine are privately supplied. In Canada over 75 per cent of the works are owned by the public. The leading argument for private ownership is, that private capital will work for the best service to secure the best returns. Advantages of public ownership are that a municipality can get cheaper money, that it levies no taxes upon itself, and that municipal

development, main departments being under one control, is more harmonious.—From data by W. N. Baker, in "Municipal Monopolies."

How extensively are American municipalities doing their own electric lighting?

The process of municipalization is yet mainly in small places. In 1898, 70 per cent of municipal plants was in cities under 5,000 population. Three cities between 50,000 and 500,000 and one city of 1,500,000 have municipal systems. One explanation of the preponderance of small cities having municipal plants is that here government lies closest to the people. It is also true that in small towns the electric light plant may be combined with the water works. In commercial lighting American cities have not yet had enough experience to show the possibilities of this branch of service. Advocates of municipal control look to so low a rate for electricity that its use will become general not only for light but for power for all small machinery. Public opinion in Great Britain largely favors public ownership. Manchester is the banner municipality in electrical supply. "In every municipal plant (in the United States) almost without exception, the people of the locality are found, on personal inquiry, to speak in enthusiastic terms of the superior quality of the light they are getting. Unfortunately this field of electric lighting has not been adequately tested, and but few cities, either with public or private plants, have any record of photometric tests of the efficiency of their lights." From available statistics it is inferred that the great majority of the three hundred cities and villages now furnishing light are getting better service at less cost than those which depend upon private companies.—From data on municipal electric lighting, by Prof. John R. Commons, Bureau of Economic Research, in "Municipal Monopolies."

How does public control of the telephone work out?

In some of the German states the telephone is part of the postal system. In Austria, Belgium, France and Switzerland, it is a public institution. In Sweden the transformation is going on, and in England the trunk lines have become postal property. In Italy and Spain private franchises will eventually pass over to the government. In Russia and Hungary some exchanges are public and some private. In Portugal and the United States there is private monopoly. The Bell Company earned \$21,000,000 in six years. The Bell patent could have been bought by the government, in the early eighties, for \$100,000. The world's best telephone service is in Norway, Sweden and Switzerland. There are about as many telephones in this country as in the whole of Europe. Massachusetts is best provided with the telephone. High charges have retarded the extension of the telephone in the United

States, although the number of persons to each telephone is higher than in many European countries. London is served by a private monopoly. London has over 6,000,000 people, but for her non-subscribers there are available only 237 call offices. Stockholm, with 250,000 population, has 700 offices.—From data, by Frank Parsons, in "Municipal Monopolies."

What may be said in a general way about municipal ownership of street railways?

"As a result of the large profits of street railways, there has come a demand for lower fares and larger taxes, while out of the monopolistic character of this necessity of modern city life, and the absolute dependence of the business on public grants of power in the streets, have come the most demoralizing relations with city and state governments. Of these two problems, the financial and political, the latter is by far the worst. Until it is solved good municipal government is an impossibility. Only Massachusetts and some parts of Europe have done much toward a solution. With all its defects the Massachusetts system of state regulation has succeeded to such an extent in keeping down capitalization to normal limits, as to deserve the most careful study and imitation throughout the country." The only street railways in America owned and run by the public are the cables across the Brooklyn bridge, and a small plant at Port Arthur, Huron. The Brooklyn enterprise has been notable and commendable. England is extensively experimenting with municipal street railways.—PROF. EDWARD W. BEMIS, in "Municipal Monopolies."

What may be said of municipal ownership of gas works?

Gas can be sold at a profit on the structural value of the plants for 75 cents per 1,000 feet in most cities of over 200,000, east of the Rocky Mountains. "In seeking a remedy for exorbitant charges in competition, rather than the compulsory reduction of charges through state and city authority or public ownership, our municipalities have usually made matters worse."

At this writing, July 24, 1900, Chicago, through a committee of its common council, is considering the problem of municipal control of street railway properties. The problem has more than theoretical interest because of the fact that the city must, within no great time, take a stand on the doctrine of the control of public utilities in the extension of the franchises that will be asked by lines in the great system of the Union Traction Company, the system furnishing surface transportation to two of Chicago's three main geographical districts. The committee is not to report a definite plan of procedure, but to "examine into the feasibility and practicability of the municipal ownership of street railways in Chicago, and the terms and conditions under which this ownership may be established." The committee thus far has formally approved of municipal ownership of street car tracks and street rights, without control of rolling stock and operation. Of the general proposition the *Chicago Tribune*, of July 14, 1900, says: "The typical feature of contemporary street railway

"The public are prevented from realizing the profits of these companies by their extensive stock and even bond watering. For example the Mutual Fuel Gas Company of Chicago was bought by the People's Gas Company in 1898, and in lieu of its \$1,500,000 of stock representing \$2,119,667 of tangible assets, the purchasers issued \$5,000,000 of bonds, making the capitalization \$9 per thousand feet of annual output in all of the Chicago companies. And on this basis they are doing so well with gas at one dollar that all their securities, representing about \$20,000,000 of structural value, and \$40,000,000 of free gift by the people, are above par."

England consumes four times as much gas as we do, and buys it for 75 cents per 1,000 feet on the average, or at about half current American prices. "These lower prices are not due to any great difference in the cost of placing gas in the burner in the two countries. Rather is the lower price and more extensive use of gas abroad due to the public control of private management, and to the prospect of city ownership ever impending over the English private companies, if they do not fairly approach the record of the public owned companies."

The development of electric light has checked the progress toward municipalization of gas. In 1898 the public gas works in America were 11, and in England 212, or nearly one-third of the 648 companies.—From data by Prof. Edward W. Bemis in "Municipal Monopolies."

Is an American city restricted as to its action in local affairs?

Yes. It can do nothing without the permission of the state, as given by the state's constitution or statutes. Cities and towns are creatures of the state legislature, which may even revoke powers it has granted. But the state cannot revoke authority

development in Great Britain is the passing over of the tramway service, including both ownership and operation, from private into public hands. The Boston subway was lately built by a public commission and is owned by the city, a rental being reserved which will in forty years leave the subway a clear asset of the city. The New York underground road is to be built and owned in a similar manner, and the rental reserved will pay for it in fifty years. An attempt was made also a year ago to municipalize the street railways of Detroit, including operation, although the project was declared unconstitutional. In the main there is a disposition among men of affairs to regard the policy of municipalization as one to be determined for each case on grounds of expediency rather than by a theoretical dogma, and the ultimate test of a given proposition is, therefore, "How will it work?"

"A prominent stockholder in a large gas company lately expressed the fear that it might be necessary soon to lower the price of gas. The profits were becoming too large to please the public, and it seemed difficult to find an excuse for issuing more stock, though such excuses in the past had been found, and for a time it had served to conceal the rapidly increasing profits."—"The Trust Problem," by Prof. J. W. Jenks.

given a private corporation unless the right to revoke is expressly reserved. In France and Germany a municipality has full liberty to do anything not contrary to state and national law. If an American state grants private parties an exclusive right, and reserves no power of revocation, it cannot authorize an undertaking in competition with the business protected by the exclusive grant, except upon full compensation. For the grant is a contract protected by the federal constitution. But an exclusive grant does not shut out the right of eminent domain. If no exclusive right is affected the state may authorize public competition with private enterprise without compensation. This is the law and is clear, but whether public competition with private business—the right to destroy private property—is moral is another question. "When the public good requires a state or municipality to engage in business in opposition to private interests that have grown up under the sanction of the law, it is only fair that compensation should be made as far as possible. The change to public action is for the benefit of the community, and the cost and burden of it so far as possible, should be borne by the community, and not allowed to fall with crushing weight on any individual." As a general rule the measure of damages is the fair market value of the property. When a franchise is taken the net earnings are generally considered, and also the market value of the capital stock, if there is any. The income for the past five years is proper evidence of the value of the franchise. The value of property, generally speaking, is determined by its productiveness. It is not fair to require a city to pay for property that has no market value, though allowance should be made for temporary depreciation. A legislature may squeeze watered stock, and so reduce value, by regulating rates, but it may not really destroy vested rights without compensation. "No legislature or congress ever had a right to grant a monopoly or a franchise that practically amounts to a monopoly. A private monopoly is just as much against public policy when formed by grant as when formed by combination. That every water, gas, electric light, transit, telegraph and telephone franchise should be owned and operated by the public is a clear deduction from principles of justice and public policy firmly established in our law for the past five hundred years." The United States supreme court has held that a state has the right to regulate any business "affected with a public interest."—From data by Frank Parsons, Boston University, in "Municipal Monopolies."

New York's new special franchise tax act classifies all public franchises as real estate. When the tax commissioners fixed valuations for the various New York city corporations there was much protest. The Metropolitan Street Railway would have to pay in taxes \$1,500,000 more than last year.

What are typical reasons for and against public and private ownership of natural monopolies?

Private ownership pleads better service at reasonable prices; but private ownership, striving for highest net returns, conceals large profits by watering stock. Private ownership says public ownership is socialistic, and that city governments cannot manage business enterprises successfully, although parks, libraries and water works are socialistic and beneficial. Public ownership claims for itself economy, the diminution of political corruption, holds competition is impossible in such industries, and that natural monopoly is enormously profitable when private companies fix rates. But the efficiency of either control depends upon the civic and economic standard of the people. Experiments with municipal ownership in the United States have been determined by local conditions.

Condensed from "Monopolies and the People," second edition, 1899, Charles Whiting Baker, editor "Engineering News": There is no competition between the two great American telegraph companies. The expected competition in the telephone service, the Bell company's patents having expired, has not materialized. "The subsidiary corporations licensed by the Bell company are as secure as ever in their control of the great cities. It is now beginning to be realized by the public that the strength of this company's monopoly lies not in its patents, but in the fact that practically all the business is in its hands, and that the control of the long-distance lines, by which every telephone instrument is placed in communication not only with those of its own exchange, but with those in every other exchange within a radius of a thousand miles, gives the associated Bell corporations such a strength that the establishment of a general competitive system would be the height of absurdity. Capital would not engage in such an enterprise, and ought not to be allowed to, for combination would inevitably succeed a short season of competition, and in the end the public would have to pay the interest on the money wasted in needless duplication of facilities. It is even more absurd to have two competitive telephone systems in a city than two competing gas companies."

Warehousing has proved peculiarly subject to monopoly at every great commercial center. It is really a natural monopoly and should be subject to public regulation. Many of the Brooklyn warehouses are owned by the Brooklyn Wharf & Warehouse Company; capitalization, \$30,000,000. The Chicago Junction Railways & Union Stock Yards Company accommodates Chicago's live stock and packing interests. Its capital is \$26,000,000.

The business of an express company is a natural monopoly, yet nothing has been done to bring it under government control. It is a business involving a very small investment, yet representing a great capitalization and earning power. The great express companies of the United States are capitalized at over \$100,000,000, on nearly all of which large dividends are paid.

In ten years public intelligence has surprisingly awakened as to the common sense of monopoly in municipal utilities. It is generally understood that competition in furnishing gas, water, electric light, street railway service, etc., is wholly out of place; and with this conviction has grown comprehension of the idea that franchises for use of the public streets belong to the public.

Editor's note: The outstanding securities of some of the express companies are: United States, stock, \$10,000,000; American (not incorporated), \$18,000,000; Adams (not incorporated), \$12,000,000, bonds, \$12,000,000.

WHAT THE TRUST WAS AND IS.

VI.

What is an industrial trust?

An industrial trust is a modern industrial instrument with which to save loss, or keep even, or get more than ordinary returns out of the co-operation of capital and labor. In this pursuit a trust may and may not become a monopoly.

Upon what theory is it applied?

The theory of industrial harmony.

What does this mean?

It means that capital has found more wealth in combination and unity than in competition and destruction.

What has capital done to accomplish this?

It has unified and made common the interests and management of competing corporations.

What is or was the scheme of the trust?

The stockholders, all or a majority of them in the corporations to be harmonized, surrendered in trust their shares of stock to a board of, say, nine or eleven men.

What power had this board of trustees?

An irrevocable power of attorney, by which this board, holding

Prof. Bemis quotes in the "Forum" for December, 1899, this definition of a trust, by Prof. Jenks: "A trust is a monopoly that so controls business, whatever it may be, as practically to regulate competition and to fix the prices of its products, on the whole, with little reference to competition, or to the cost of production, but mainly with reference to securing the greatest net results."

A trust in a legal sense may be defined as follows, in the words of "The Encyclopedia of Social Reform":

"A trust in law may be defined as confidence reposed in any person by making him the nominal owner of property, which he may hold, use or dispose of for the benefit of another. Such a trust is sometimes called an active or special trust, in distinction from a naked or passive trust, where the trustee is only a figurehead in holding the title, but with no discretionary power as to its use or disposal. There may also be express trusts and implied trusts, according as the powers are expressed or implied. Loan and trust companies are simply a form of banks."

a majority of votes in each constituent corporation, could elect this corporation's officers and direct its policy.

What must follow?

Harmony, for good or bad, for every stockholder had surrendered all power to make trouble.

But what did the stockholders of the various corporations get for having surrendered their powers to the central board?

The trustees issued them in place of their stock trust certificates.

What about the profits?

The profits were put into a common fund by the trustees, and divided among the stockholders of the various corporations according to the number of their shares.

What was specially attractive in the economy of a trust to the small and weak competitive corporation?

The holder of each certificate received the same dividend whether the corporation whose stock he surrendered paid a high or low dividend, or was closed and made no profit at all.

What further reconciled him to the control of the board of trustees?

He not only got a dividend when there was anything to divide, but he was surer of a dividend and a good one, because only the best establishments in the trust were permitted to run.

May not such great powers in a board of control work great hardship in localities where manufacture is suspended?

Undoubtedly; but the people at large are benefited by production that pays, and the economist says that those that suffer must suffer.

One of the advantages of large scale production, however obtained, comes from keeping a stock so large that the largest order can be filled at once. Prof. Jenks says it is estimated that the American Sugar Refining Company, from its great capacity, is able frequently to get one-sixteenth of a cent per pound more than some competitors, they being compelled to go one-sixteenth below market price to make a sale. Combination saves greatly in freights, goods being shipped from the plant nearer the customer. John W. Gates, of the American Steel and Wire Company, estimates savings of this character by his company at more than \$500,000 a year.

In the competitive system one plant may have frequently to change machinery, or stop work, while changes are being made from one class of work to another. President Guthrie of the American Steel Hoop Company, says that by the combination system, distributing large orders among the mills adapted to their production, there is saved from a dollar to a dollar and a half a ton in manufacture. This principle the leather combinations are applying to great advantage. Apropos of these economies Prof. Jenks pertinently says: "The saving in a large establishment does not of necessity imply monopoly."

How does large scale production by capital that is thus harmonized work out?

It saves in wages and transportation. It saves in advertising, both through men and printers' ink. It assembles men of commanding talent—experts—whom lesser interests with the same ends would not employ. It gives the best plants knowledge and inventions more or less inadequately used by inferior plants. It regulates output, seeking to adjust supply to demand, and it may steady prices and wages, perhaps advancing both. It may lower the price of raw material through more complete control of the market, or by the power of its amassed capital, possess its own supply.

How may trusts be classified?

Generally speaking, into three classes: (1) The union of a

"These are the principal advantages of larger aggregations of capital and ability: Raw material bought in large quantities is secured at a lower price. The specialization of manufacture on a large scale in separate plants permits the fullest utilization of special machinery and processes, thus decreasing cost. The standard of quality is raised and fixed. The number of styles is reduced and the best standards adopted. Those plants which are best equipped and most advantageously situated are run continuously in preference to those less favored. In case of local strikes or fires the work goes on elsewhere, thus preventing serious loss. There is no multiplication of the means of distribution, a better force of salesmen takes the place of a larger number. The same is true of branch stores. Terms and conditions of sale become more uniform, and credits through comparisons are more safely granted. The aggregate of stocks carried is greatly reduced, thus saving interest insurance, storage and shop wear. Greater skill in management accrues to the benefit of the whole instead of a part, and large advantages are realized from comparative accounting and comparative administration."—Charles R. Flint, in Boston address, May 25, 1899.

It is probably not too much to say that in many lines it would be possible, if the competitive advertising were rendered unnecessary, to furnish as good quality of goods to the consumers, permit them to pick their brands and charge them only one-half the prices paid at present, while still leaving to the manufacturer a profit no less great than that now received.—"The Trust Problem," by Prof. J. W. Jenks.

"Chronicle," March 24, 1900: "An encouraging development of the week is the adjustment of the dispute between H. C. Frick and Andrew Carnegie. The outcome is the formation, by the Carnegie Steel Company, limited, the H. C. Frick Coke Company, and all the allied concerns, of a gigantic iron and steel corporation organized under New Jersey laws. "The concentration of the great iron and steel interests in the hands of a few large concerns cannot but tend to promote stability in those trades. It is an advantage both in times of business activity and in times of depression. When industrial conditions are favorable, as at present, such concentration allows the concerns to take full advantage of the fact. On the other hand, when trade is bad, it is possible for such large concerns, controlling everything needful in the manufacture of their product, to adapt themselves with greater readiness and facility to turning out goods at low prices."

number of corporations or companies, all of which transfer their stock to a governing board of trustees or directors with absolute power, and receive in return trust certificates. (2) Corporations that control other corporations by purchase of their stock. This organization is of the same general character as the first, but the form is changed to escape the decision of the courts relating to corporate partnerships. (3) Corporations which have purchased the entire property and good will of other corporations, payment being made in the stock of the corporation that takes in the others. This corporation now holds the legal and equitable title to all the property of the associated corporations, and runs the business in the interest of all.

Is the first class of trusts illegal?

The original Standard Oil Company was in such a trust, and the supreme court of Ohio held that it was illegal. The North River Sugar Refining Company was in such a trust. The New York court of appeals decreed its dissolution. It had broken the law for corporations to enter into a partnership. Had its companies instead consolidated the consolidation would have been legal, in the words of the court, "deriving its existence from the state, owing duties and obligations to the state, and subject to the control of the supervision of the state, and not, as here, an unincorporated board, a colossal and gigantic partnership, having no corporate functions and owing no corporate allegiance. Under the statute the consolidated company, taking the place of the separate corporation, could have as capital stock only an amount equal to the fair aggregate value of the rights and franchises of the companies absorbed; and not, as here, a capital stock double that value at the outset, and capable of an elastic and irresponsible

"The decision [The People of the State of New York vs. The North River Sugar Refining Co., 121 N. Y., 582] of the New York Court of Appeals against the Sugar Trust, declaring the act of a corporation in thus putting its stock into the hands of trustees and abdicating its own independent stock of self-direction was *ultra vires*, together with hostile legislation in other states, and an apparent hostility of public opinion, led the old trusts to give up this form of organization and to reorganize. The Sugar Trust and the Whisky Trust organized as individual corporations, the certificate holders becoming stockholders in a new corporation which owned all of the plants that had been owned by the individual corporations before the formation of the trust. In both cases there was substantially no change in the management, the trustees of the former trust becoming directors of the new corporation, and the officers of the new corporation remaining substantially the same as the officers of the trust. It was a change in name, a change in technical legal form, but no change as regards the practical management of the organization.

"The Standard Oil Trust followed a different plan. It so happened that the nine trustees of the trust owned a large majority of the trust certificates. The trust then dissolved into separate corporations, the holders of trust certificates being given shares pro rata in each one of the twenty

increase. The difference is very great, and serves further to indicate the inherent illegality of the trust combination."

Is the second class of trusts illegal?

The leading case of this class is that of the Chicago Gas Trust Company, which, under the general incorporation laws of Illinois, being empowered to do a gas business, had assumed the right to buy and sell the properties of other gas companies. So it bought a majority interest in the four gas companies of Chicago. But the trust had assumed too much, for the incorporation law does not expressly give corporations the power to hold stock in similar corporations; and the court decided that thus securing control of competing companies the trust had done what was unnecessary to enable it to do the making and selling it was designed to do; and as such monopoly was against public policy its charter was void.

What is the rule in England on this point?

It is held there that where the articles of incorporation set forth the general purpose to trade in the stocks of other corporations, a trading company may buy stocks in other companies without express legislative authority. This rule has been adopted in Maryland, and possibly in other states.

Is the third class of trusts illegal?

Trusts of this class are corporations which have bought, paying in stock of the new corporation, the plants, real estate, stock, machinery, good will, etc., of a number of corporations, firms or individuals in a particular business. Like the other classes, its object is to create a monopoly and control prices. The leading

corporations into which the trust was divided. Inasmuch, however, as the former trustees then owned a majority of the stock in each one of these twenty different corporations, they were enabled, without any formal organization among themselves, to direct the affairs of all these corporations in perfect harmony just as efficiently as they had done while acting as trustees and holders of a majority of the trust certificates. Here, again, there was a change in form; but in this case, instead of the trust becoming a single corporation it became twenty corporations, the majority of the stock in each being held in the same few hands, and all of the corporations being managed in perfect harmony.

"A comparatively late change in this company of a different kind has been made. One of the separate corporations, the New Jersey corporation, has increased its stock, and so arranged that it can take control of the business of all of the different companies. The stocks of the separate companies are therefore now being exchanged gradually for the stock of the New Jersey corporation, and in the course of time it is expected that this one corporation will own all of the stocks of the twenty different corporations, so that the management will thereafter be not merely practically one, but also technically and legally one under the directors of one corporation, they voting all the stock of each of the corporations. It is practically a return to the trust form in all but name."—"The Trust Problem," by Prof. J. W. Jenks.

case in this class is the Diamond Match Company, the legality of the corporation being determined by the supreme court of Michigan, in the case of Richardson vs. Buhl. The Diamond Match Company was incorporated, with large powers, in Connecticut, December 3, 1880. Its object was to monopolize the match business of the country. The trust was denounced by the court, which in part held: "It is no answer to say that this monopoly had in fact reduced the price of friction matches. That policy may have been necessary to crush competition. The fact exists that it rests in the discretion of the corporation at any time to raise the price to an exorbitant degree. * * * It is doubtful if free government can long exist in a country where such enormous amounts of money are allowed to be accumulated in the vaults of corporations to be used at discretion in controlling the property and business of the country, against the interests of the public, and that of the people, for the personal gain and aggrandizement of a few individuals. It is always destructive of individual rights and of that free competition which is the life of business, and it invites and perpetuates one of the great evils which it was the object of the framers of our form of government to eradicate and prevent. It is alike destructive to both individual enterprise and individual prosperity, whether conferred upon corporations or individuals, and therefore public policy is, and ought to be, as well as public sentiment, against it. All combinations among persons or corporations for the purpose of raising or controlling the prices of merchandise, or of any of the necessities of life, are monopolies and intolerable, and ought to receive the condemnation of all courts."

Is pooling generally held illegal?

Yes, in most states, and all contracts relating to it are held void. Pool agreements do not hold. In pool organization competing factories either run part time or at less than full capacity. In trust organization the best are run full, the poorest closed or sold. No pool of the whisky distillers lasted much more than a year. A year after the more than eighty distillers joined the trust only twelve distilleries were running, but the product was not lessened, and the profits were good, made, too, on the capital represented in more than eighty plants.

May stocks be pooled?

A reasonable regulation regarding the manner of selling corporate stocks, to prevent loss to commerce and personal interests involved, is not deemed restraint of trade.

May products be pooled?

A combination of independent companies or individuals, in the same business, to control the production and price of an article in general use, is held against public policy and void.

Why is patent monopoly legal?

A patent is pay for labor and money put into an invention. It does not restrain anyone from doing something better, nor take from anyone what he previously enjoyed. But be it noted that a patent does not empower the patentee to enter an illegal combination to extend or perpetuate such monopoly.

What is a voting trust?

An agreement among stockholders to unite their votes to control an election. Of itself it is not illegal, but the presumption is against its validity, and the parties interested must show it works no injury to other members of the corporation. The courts will not uphold such agreement if in restraint of trade and against public policy, or if it forbids voting by proxy, or if not founded upon proper consideration.

The anti-trust laws, having forced capital to abandon the trust form of combination and to consolidate competing corporations into single great corporations by actual purchase and transfer of property, are not these new corporations, equally with the original trusts, acting in restraint of trade?

Trusts are organized to promote trade by controlling trade. It may be taken for granted that a self-sacrificing public officer, backed by money and public opinion, and firmly grasping the pillars of the common and statute law, could severely jar the temple of monopoly.

What is restraint of trade?

When we know that we shall also know what to do with trusts.

The Supreme Court of Illinois, in its opinion in the case of the glucose trust, October 19, 1899, declared that a trust is created where a majority of the stockholders in competing corporations consolidate their interests by conveying all their property to a corporation organized for the purpose of taking their property, when the necessary consequence of the combination is to control prices, limit production or suppress competition in such a way as to create monopoly. An agreement to form an illegal combination or trust need not be embodied in writing, but may rest upon a verbal understanding evidenced by the acts of the parties.

TRUST HISTORY.

VII.

When did the movement to check the losses of competition begin in the United States?

About 1870 railroad pools began to fix rates and divide business.

How did the people resist?

In the "granger" laws of 1874, which provided for freight rates proportionate to distance, thereby aiming at special privileges to favored shippers, and in the interstate commerce act of 1887 prohibiting pooling and establishing a federal commission.

How did combination continue?

Among steamship and steamboat, express, telegraph, insurance, gas and street railroad companies.

When did combination in manufacture begin to appear?

In 1872, although pools and associations to fix prices and divide profits had previously existed, the great industrial combinations began to appear. The anthracite coal producers and carriers began to harmonize, and the petroleum interests to get together.

"If a business like that of the Standard Oil Company is run with a view to the permanent interests of the public, it will generally be found that prices are made relatively low and steady, and that laborers are given constant employment."—Arthur T. Hadley, on "The Formation and Control of Trusts," in *Scribner's* for November, 1899.

S. C. T. Dodd, solicitor of the Standard Oil Company, testified before the Industrial Commission that the company paid a dividend of 5¼ per cent in 1882, and 33 per cent in 1897. The stock of the company is quoted at about 525.

"The principal charges against this trust, made by those who were conversant with its operations, have never been that it was particularly oppressive to consumers of oil, but that, in the attempt to crush out its competitors, it has not hesitated to use, in ways fair and foul, its enormous strength and influence to ruin those who dared to compete with it."—Charles W. Baker, in "Monopolies and the People," 1889.

What was the first trust?

The Standard Oil trust, incorporated in 1872, reorganized Jan. 2, 1882, when corporations, partnerships and individuals passed over control of their properties to a board of trustees.

What other great combinations followed that were strictly trusts?

The American Cotton Oil Trust, in 1883; the Distillers' and Cattle Feeders' Trust, May 10, 1887; the Sugar Refineries Company, November, 1887.

What now forced a change in the form of combination?

Popular alarm and hostility, in 1887 and 1888, expressed in investigations and laws, led to monopoly corporations, called companies in place of trusts, which were governed by directors in place of trustees, the result being a more convenient and durable instrument of production.

Then the word "trust," with its traditional legal meanings, is now really misapplied?

Yes; it now classifies all vast associated capital, whether intending monopoly or not, and seems to have come to stay.

What is the economic principle beginning, sustaining and multiplying trusts?

The principle that goods can be made cheaper and distributed cheaper on a large than on a small scale.

Is this true under free trade as well as under protection?

Equally. Trusts are found in Great Britain and other parts of Europe, although many hold that they are favored by a protective tariff.

Can the trusts be numbered?

By no means easily. There are the secret agreements of manufacturers and transporters, and there are the great consolidated companies known of all men.

What estimate can be made about the incorporated companies?

It is computed that the trusts of the United States have an authorized capitalization of \$8,000,000,000.

"From three to five millions of dollars are required to build and run satisfactorily a sugar refinery. In the whole United States only some forty sugar refineries were in existence before the formation of the sugar trust in 1887. It was not easy for a sugar refiner who felt the pressure of competition to close his establishment for the time being and later to start up again. He might better for an interval carry on the business at a loss. Competition among the refiners finally became so fierce that some eighteen of them had gone into bankruptcy before combination into the trust finally abated for the time the fury of the contest."—"The Trust Problem," Prof. J. W. Jenks, 1900.

Eight billion dollars?

Yes, and that about \$3,000,000,000 of this is actual value.

What proportion of the entire manufacturing capital of the country does this eight billion represent?

One-quarter.

What was estimated last year would be the total of trust capitalization authorized by trust charters to the end of 1900?

About \$10,000,000,000.

What is produced and distributed the price of which, and the rate of transportation of which, is not influenced by a trust?

Little outside of grains, vegetables, fruits in manufactured forms, and live stock.

What is the tendency in combination?

Some trusts are growing very complex. Great ones will take in little ones. Many may fail, and receivers will reorganize them. Very many of the trusts of ten years ago have been reorganized, some more than once. "And yet in almost no instance have mills once brought under one management been separated. On the contrary, the reorganizations often contain not only all of the mills in the old trust, but many of the new mills which have sprung up to compete with it. The reorganization, amalgamation and consolidation process is going on continually. The reorganizations, however, are fewer in prosperous than in hard times."—BYRON W. HOLT, in *American Monthly Review of Reviews*, June, 1899.

What trust is popularly supposed to represent all the good and all the evil of vast capital concentrated for monopoly?

The Standard Oil Trust, organized in 1872, formally organized as a trust in 1882. Its capitalization is \$97,250,000 in common stock and \$10,412,000 in bonds. It is the world's greatest industrial organization, and has probably paid over \$100,000,000 in dividends in the past four years, its nine original trustees still owning a majority of its stocks and certificates. It is reported to hold in its vaults about \$120,000,000 in government bonds. It now embraces about twenty different state corporations. Fortunes were being made rapidly in the early days of the petroleum industry, when, in 1870, the Standard Oil Company of Ohio was organized. About this time an alliance between the Standard and three other companies brought such disasters to the competitive field that Congress investigated. Then became known an agreement between certain railroads and the oil combine, operating for reasons known to itself under the name of the South Improvement Company, that strikingly illustrated the power of capital when bent upon aggrandizement. This agreement showed not only gross and destructive discrimination against

competitors, but that even the railroads paid over to the combine the excess rates collected from competitors. The independent refiners, failing of satisfactory treatment by the railroads, constructed in 1878 and 1879 the Tidewater Pipe Line Company. The railroads reduced oil rates to almost nothing, and the competing company, in 1883, passed over to the trust. The career of the Standard Oil Company, as constituting an industrial drama of the first class, may be found vividly portrayed in Henry D. Lloyd's "Wealth Against Commonwealth." An economic writer of ability, who takes other views of the character and services of the oil trust, is George Gunton, editor of *Gunton's Magazine*. The oil trust may easily be denounced, but denunciation may overlook its extensive contributions to the machinery and substance of American wealth. The price of a gallon of kerosene is not a burden, but authorities differ as to whether the trust has given us as cheap oil as the power to buy, and the facilities to refine, which the trust possesses, would warrant.* As an economic engine its utility is enormous. Unlimited capital commanding the highest executive and inventive talent has transformed a crude product into scores of useful articles besides fuel and illuminating oils; and has so economically distributed them over the earth that \$60,000,000 a year is said to be the tribute which other nations pay to the United States through this greatest of trusts. But of the other side of the case, the evil the

Henry D. Lloyd, in "Wealth Against Commonwealth," summarizes his story of the career of the Standard Oil trust in the following bill of particulars:

Freight rates to the general public have been increased, often to double and more than what is paid by a favored few.

The construction has been resisted of new lines of transportation by rail and pipe. This has been done by influence, litigation and violence.

The cost of pipeage has been raised.

Rivers and canals have been closed.

Oil has been made to run to waste on the ground.

The outflow of oil from the earth has been shut down.

Manufacture of oil has been restricted by contract, dismantling and explosion.

High fees have been maintained for inspection, and the inspectors have been brought into equivocal relations with the monopoly.

The general use of tank cars and tank steamers has been prevented.

The people have been excluded from the free and equal use of the docks, storehouses and other terminal facilities of the railroads in the great harbors of export.

Inventors and their better processes have been smothered.

Men have been paid more for spying than they could earn by working.

Killing delay has been created in the administration of justice.

All are poorer—oil producers, land owners, all labor, all the railroads, all the refiners, merchants, all the consumers of oil—the whole people. Less oil has flowed, less light shone, and there has been less happiness and virtue.

oil trust has done, that does not so persistently perpetuate itself in statistics. The philosophic will call it an incident of industrial progress; but the laws of twenty-eight states declare that the people think its repetition can be prevented.

What are some of the other industrial aggregations that have excited public interest or alarm?

The American Sugar Refining Company, the American Tin Plate Company, the Carnegie Steel Company, Limited, the International Paper Company, and the American Steel and Wire Company. The sugar trust is a refiner and not a producer, and has been, as a tariff beneficiary, much criticized. Its head frankly confessed to a congressional committee that the trust, by political contributions to campaign funds, bought protection from both the great parties. Like the oil trust, the sugar trust keeps its own secrets. The sugar trust refused to make census returns in 1890. Some, who believe the sugar trust has enforced high prices, say the nation's sugar bill has averaged \$10,000,000 if not \$20,000,000 a year more because of the trust. The tin plate trust, an American industry created by a protective tariff, consists of the 300 mills of the country, and exists and sets its own price under cover of a duty of $1\frac{1}{2}$ cents a pound on imported plate. The trust was formed in 1898. By its connection with other metal trusts it is for the present a monopoly. The Carnegie properties do not constitute a trust, but have the economic efficiency of one, and show the possibilities of enormous capital in competent hands applied to the creation and control of home and foreign markets.

The International Paper Company is specially obnoxious to the newspapers, and they have most strenuously protested against its exactions. This trust controls the wood-pulp paper used in newspaper publication.

The American Steel and Wire Company is an aggregation of thirty-odd wire mills, capitalized at \$90,000,000, and incorporated

"A very large establishment often finds it profitable to manufacture some by-products from its waste material, which, owing to the extra capital needed, or to an insufficient quantity of waste material, its smaller rival must either lose entirely or part with at a disadvantage. The largest oil refineries at times make as much profit from by-products as from their illuminating oil."—"The Trust Problem," by Prof. J. W. Jenks.

For an interesting and instructive sketch of the Carnegie properties see "The Great Steel Makers of Pittsburg and the Frick-Carnegie Suit," by Julius Moritzen in the *American Monthly Review of Reviews* for April, 1900. It appears that the Carnegie interests represent about \$500,000,000; that the great plants, each with dependent works, are the Homestead Steel Works, the Edgar Thomson Steel Works, and the Dequesne Steel Works. The president of the Carnegie Steel Company, Limited, is Charles M. Schwab, aged 37; at 15 he was driver of a country mail wagon. His salary

on January 13, 1899. Its exports have been heavy, and its profits great, conspicuous indeed among the consolidated metal companies for the amount of its earnings. It has further sought to engage the confidence of investors by disclosing, through the examination of public accountants, its financial status. A false stroke of executive policy, however, temporarily at least impaired its standing, acutely emphasizing to the popular mind the dangers of trust autocracy with respect to labor, and with respect to the value of trust securities committed to the investing public. It is generally believed that the injudicious action of this company's executive officers, coupled with their alleged extensive depredations upon its stocks, have been a costly though valuable lesson to the nation and to students of industrial reform; while the sympathetic depreciation of both kindred and other securities shows the financial status of industrials to be as disturbed and disturbing as is the mind of the public in its violent endeavor to find the best way to regulate the gigantic corporations that issue them.

How is the struggle between competition and combination developing in Great Britain?

It may thus be summarized from an article by Henry W. Macrosty in the *Contemporary Review* for March, 1899: "It is contended by some Englishmen that, because trusts are fostered by protection which is not the British policy, and because the lawless practices of American trusts have not been countenanced in England, therefore gigantic private monopolies can

is \$50,000, not to speak of a 3 per cent interest in the company, for such is his share in the stock of the company, Mr. Carnegie holding 58½ per cent, Henry Phipps 11 per cent, and H. C. Frick 6 per cent. Mr. Carnegie's share in the profits for 1900 have been estimated at \$24,867,000. Mr. Carnegie, who has already conspicuously exemplified his gospel, has said that the man who dies rich dies disgraced. "That," says he, "is the gospel I preach, that is the gospel I practice, and that is the gospel I intend to practice during what remains of my life."

Condensed from daily paper, July 7, 1900: Conferences among the steel men have been held in Wall street during the past week. They are the outcome of the purpose of President Schwab, of the Carnegie company, to force the other steel companies to live up to their price agreement. The Federal Steel is acting with the Carnegie. Mr. Schwab is said to have told the offending companies that if the present agreement was broken by any company the Carnegie Steel Company would underbid it 50 per cent on all contracts, and would use its entire \$100,000,000 surplus to carry on the fight.

Daily paper, July 7, 1900: "One of the largest mortgages ever filed in New Jersey was acknowledged today at the residence of James B. Dill in East Orange. The mortgage is for \$54,000,000, and was executed by the Carnegie Steel Company as the basis of an issue of bonds for that amount. Mr. Dill said: 'It simply means the transfer of temporary securities into permanent securities as a part of the plan of the new Carnegie company.'"

not dominate trade in England. But facts go to show the steady advance of combination. In retail trade competition seems to rule supreme, but the small man's struggle is desperate and at the cost of efficiency and quality. The retail trade is now passing through such an industrial revolution as the manufacturers experienced early in the century. The small shop is now what the hand-loom weaver was then. Large businesses get an ever increasing share of trade. Lipton runs seventy-two stores in London and 181 in the provinces. Retailers find competition no more profitable, and see combination the only way to a steady income. Vickers & Co., shipbuilders, boast of being able to turn out a complete battleship. A unique alliance of labor and capital, devised by E. J. Smith, of Birmingham, is showing a new way to increase profits to both parties without contemplating a monopoly. In short, "we see in British industry a steady movement toward combination and monopoly, a movement which is the natural outcome of competition, and therefore not capable of being prevented or undone by laws. At one time it takes the form of elimination of subordinate agents in production and distribution, at another of combinations or rings to regulate prices, at a third of the actual fusion of competing firms. The net result is a great improvement in productive organization, which is balanced by the possibility that the new machinery may be turned against the consumer."

Is the trust movement progressing in continental Europe?

It has spread extensively in Germany, in 1897 there being about 180 so-called trusts, though but few correspond with the American idea. But as smaller ones are uniting with larger the number is said to be diminishing. Among the great ones is a coal combine called the Rheinisch-Westfaelische Kohlsyndikat, which for five years has controlled the west German coal industry and dictated prices. It controls sales, leaving produc-

"If less is said about industrial consolidations in Europe than in America, it is because they have proceeded more quietly and along more legitimate lines, not because they are fewer or less important. They have not advertised themselves so extensively because they were not trying to sell their securities."—ARTHUR T. HADLEY, in *Scribner's* for November, 1899, on "The Formation and Control of Trusts."

"The capitalization of manufacturing concerns in London commenced in a large way before it was undertaken in the United States. I find that the amount of the capitalization of industrials in England has aggregated two thousand millions of dollars. In many cases the capitalization has consisted of putting in form for investment private businesses, instead of consolidating many companies into one large corporation, as has recently been done in this country. The two thousand millions of English industrial securities have been as a rule most satisfactory investments and have averaged more profitably than most others. Their failure has been the exception."—From address in Boston, May 25, 1899, by Charles R. Flint.

tion to separate companies. The German and Austrian rolling mill unions, the trusts in the chemical industries, and the French iron, sugar and petroleum industries sell through central bureaus. There is no such anti-trust agitation in Germany as in the United States. Its penal code has no provisions applicable to trusts. In Austria and Hungary trusts have not extended so rapidly. For twenty years the trust system has flourished in the iron trade of France. The Russian courts do not recognize trusts as legal, but powerful combinations in iron, brandy, sugar and petroleum exist without restraint, indeed many being under government protection. The Russian government co-operated with the oil trust in Baku to fight the Standard Oil or combine with it. In 1892 and 1893 the Russian government, to relieve the people from the exactions of the Russian sugar trust, bought enough sugar abroad for public sale to bring into its own treasury 3,250,000 rubles. Systematic judicial procedure in European countries against trusts is presumed to be remote. Condensed from "Trusts in Europe," by WILHELM BERDROW, *Forum*, May, 1899.

Who is the agent that brings competing corporations together and organizes trusts?

The promoter, an exceptional man of affairs who can arouse the conservative, inspire the timid, check the impetuous, harmonize conflicting interests, and convince outside capital that the stocks of the proposed corporation can be safely assumed, or underwritten, at a given price.

How do promoters and underwriters get their pay?

In trust stocks whose initial value it is expected the earnings of the company, and the competition of professional speculators and of the public at large, will greatly enhance.

Who may often be losers in such a deal?

The impulsive and ignorant public, buying securities whose true and permanent value they can in no wise estimate.

Can not the public protect itself?

Yes, it can and will by suitable amendments to existing anti-trust laws.

Are promoters well paid?

Their profits, for prolonged and difficult tasks, are in the millions.

What is over-capitalization?

An excessive value ascribed to any given quantity of capital, and expressed in a corresponding excess in the amount of its certificates.

Why should any property be over-capitalized?

A property may be over-capitalized at the inauguration of

business, or it may become over-capitalized by successive issues of stock, its managers preferring to distribute large earnings over a large stock issue at a low rate, rather than over a smaller stock issue at a high rate; or, honestly anticipating a continuous and profitable business, they issue an excessive amount of stock believing that they can so run things as to pay dividends on it; or, indifferent to the future, and preparing for speculation, issue certificates of value which may or may not exist.

What is the popular name for over-capitalization?

"Water." There are two houses, the house on the rock and the house on the sand. In a time of financial stress, when a general public, having bought ignorantly, overhauls its industrial purchases, it may be found that the preferred stock of these properties stands for the house on the rock; and it may also be found that their common stock stands for the house on the sand. Beware the house on the sand if the storm come, for not only may it be of "water," but it is in water.

SOCIALISM.

VIII.

What movement is acting in both old and new worlds that declares it has the cure for trusts?

Socialism.

What is socialism?

"Socialism is that contemplated system of industrial society which proposes the abolition of private property in the great material instruments of production, and the substitution therefor of collective property; and advocates the collective management of production, together with the distribution of social income by society, and private property in the larger proportion of this social income."—PROF. RICHARD T. ELY.

What then would socialism establish?

Collective ownership in such great instruments of production as telegraphs, railways, forests, arable lands and large manufac-

One of the most efficient agencies for the spread, phenomenal, indeed, of socialism in England is the so-called Fabian Society. It was formed in 1833. Its American cousin was formed in Boston in 1895 by the Rev. W. D. P. Bliss. The English society includes such well known people as George Bernard Shaw, Sidney Webb, Wm. Clarke, S. Olivier, Graham Wallas, Anne Besant and Hubart Bland. The society has made strong literary hits in its many tracts and essays. Politically it has done comparative wonders. In 1889, when London elected its first county council, the Progressive majority, to the surprise of everybody, proved socialist in all its leading ideas. In 1892 the Progressives won a second overwhelming victory. In national politics the Fabian Society has not accomplished much.

By the name "Fabian" this is meant: "For the right moment you must wait, as Fabius did, most patiently, when warring against Hannibal, though many censured his delays; but when the time comes you must strike hard, as Fabius did, or your waiting will be in vain and fruitless."—Condensed from "The Encyclopedia of Social Reform."

"Not all the natural advantages of this country, not all the inventive genius and restless activity of our people, can affect the advantages of other countries through low wages and technical instruction, if legislation interferes with normal and legitimate industrial evolution, if we deviate from the wholesome principle of that maxim, honored in law and tradition,

turing plants. Society, not the individual, would own the important tools of wealth. The design is to abolish private rent and interest.

What next would socialism do?

It would have production managed by the people for the people, each person being assigned to useful work, and no person sharing in the common income without work. The greater the production, the greater satisfaction of common wants. The common authority would distribute the income of society, called the national dividend.

What may be called the chief purpose of socialism?

The just distribution of the social income. One scheme would call for equality in quantity and kind. Another would reward according to capacity; another according to needs, every person working in proportion of bodily and mental strength; and another would fix income on the basis of equality of value.

Would socialism really abolish private property?

No, it would extend it for the sake of individual independence, more things than now being used in common.

What part does competition play in the economy of socialism?

No part. It does away with individual capital, which strives to satisfy public wants under the law of supply and demand. It would substitute production by the state according to plans based upon the demands of consumers. Private industry has no place in socialism.

Would socialists abolish the political state?

The social democrats of Germany object to the state as representing a class that keeps other classes under; but moderate

which insures to every man the right to do with his own what he may choose so long as he shall not thereby injure his neighbor."—Charles R. Flint.

"The labor movements on the continent of Europe are political rather than economical in their character. Their leaders are far more occupied with the overthrow of oligarchic institutions than with the improvement of industrial conditions. The 'social democrat' is a democrat first and a socialist afterward. Much of the odium and misunderstanding attaching to the name 'socialist' is due to the fact that it has in practice been appropriated by revolutionists of every shade of economic belief. Working side by side and under a common banner, we find (1) true socialists, whose programme contemplates an increase of the powers of the general governments; (2) economists, who wish the local governments to do nearly everything, reducing to a minimum the powers of both the general government and the individual; (3) anarchists, who distrust all governments, local as well as national, and wish their powers reduced to a minimum; (4) nihilists, whose objections to the existing government are so great that they do not think it worth while to delay over the discussion of a constructive programme in times when destructive work is all important."—From "Economics," by Arthur T. Hadley.

English and American socialists need the state as their agent of reform. The institutions of Switzerland find favor with socialists. It has the initiative and referendum. Another popular socialistic reform is proportional representation in legislative elections. All socialists are working for decentralization, the state possessing too much and too strong central government, and not enough local or municipal power. But, indeed, they find too much government, though demanding in their socialistic reorganization enough to produce and distribute the common wealth. Outside of certain spheres, education, for instance, they want non-interference (*laissez faire*).*

Does socialism propose an equal division of existing property?

No. It proposes to concentrate the production of future wealth, and it is not a scheme of criminals for theft and robbery.

Has it any direct connection with any given religious doctrine?

No. Socialism is a system for the production and distribution of wealth, wherein it finds the problem of human happiness.

Out of what has socialism come?

Out of machinery, out of large scale production, out of the revolution of modern industry.

*Henry D. Lloyd in "Wealth Against Commonwealth": "The true *laissez-faire* is, let the individual do what the individual can do best, and let the community do what the community can do best."

The socialist may be an individualist, in the socialist's sense of the word, but the individualist is no socialist, so this is a good place to define an individualist, though he is common enough, for, indeed, he is the average American who calls no man master. Individualism is defined by "The Encyclopedia of Social Reform," 1897, as follows:

"The terms individualism, as used in social science, has been defined as 'the theory of government which favors the non-interference of the state in the affairs of individuals' (Century Dictionary). It is, however, more commonly and much more correctly used for the tendency to oppose state interference in the affairs of the individual rather than for any cut-and-dried throng of the function or lack of function of the state. When a man says he is an individualist he usually means not that he holds any exact *a priori* theory as to what the state should or should not do, but that he inclines to oppose state interference, unless it be very clearly proven that it is necessary. The presumption with him is against interference. He inclines to resist socialistic legislation, even in small matters, lest they lead to a general state socialism. He believes that we must finally decide from experience and history what in each particular case is wise."

The philosophy of individualism is thus defined by Arthur T. Hadley in "Economics":

"Constitutional liberty in politics, rational altruism in morals and modern business methods in production and distribution of wealth have been the outcome of the great individualistic movement of the nineteenth century. The individualist has taught people not to confound public morality with a state church, public security with police activity or public wealth with government property. He has taught men that, as society develops, the interests of its members become more and more harmonious; in other words, that rational egoism and rational altruism tend to coincide."

What turned the wheels of this revolution?

Great mechanical inventions. Kay's fly shuttle, 1738; Watt's steam engine, 1769; John Hargreave's spinning jenny, 1770; Richard Arkwright's water frame, 1769; Samuel Crompton's mule, 1779; Edward Cartwright's power loom, 1787; Eli Whitney's cotton-gin, 1793. These were the fathers of modern socialism.

Why?

Machinery stimulated manufacture and transportation. Great cities grew. The profits of capital enormously increased. Overproduction caused irregularity in prices and wages, and labor, least fitted to endure it, bore the burden of the distress. Poverty and wealth became more and more contrasted. The unemployed demanded that something be done. Many asked themselves why the ownership of capital, a "material instrument" of production, should not be equalized, for had not labor made the tool productive? So the theory of a society without competition; administered for everybody by a benevolent and democratic government, became formulated into the ideal called socialism or collectivism.

Is socialism to come by violence and confiscation?

It is not expected to be abruptly established, but expected that it will come gradually, indeed it is held it is coming. In the change from the individual to the state, from competition to concentration, from the small producer to the universal co-operative commonwealth, there may be compensation allowed. Generally speaking, the English socialists least of all expect the transformation to be made with anything like civil war.

What is meant by state socialism?

It is a German expression, and means social reform by any kind

"The socialism of the present day is not of a religious origin. On the contrary, there is some truth in the remark of a distinguished economist, M. Paul Leroy-Beaulieu, that the prevalence of socialistic ideas is largely due to the decline of religious faith among the working classes. If there is only one life, they feel they must realize their ideal here and realize it quickly, or they never will realize it at all. However this may be, the fact is certain that most contemporary socialists have turned their backs on religion. They sometimes speak of it with a kind of suppressed bitterness, as of a friend that has proved faithless, 'We are not atheists, we have simply done with God.' The church has therefore, as a rule, looked upon the whole movement with a natural and justifiable suspicion, and has, for the most part, dispensed to it an indiscriminate condemnation. On the question of the duty of the church with regard to the social amelioration of the people, there are everywhere two opposite tendencies of opinion. One says there is no specific Christian social politics, and that the church can never have a specific social political programme. On the other hand, there are those who hold that there is a specific Christian social politics; that there is a distinct social and political system, either directly enjoined

of existing government, though not radical changes in that government. Social democracy means the abolition of all classes.

What has been the growth of social democracy in Germany?

In 1887 the social democrats of Germany polled for the imperial parliament 664,195 votes. In 1890 they polled 1,427,323. In 1893 they polled 1,786,000, and in 1898 they polled 2,120,000, something like a quarter of the entire vote of the empire. In the reichstag, Oct. 1, 1899, the political forces of the empire were in part divided as follows: Social Democrat, 57; German Conservative, 52; National Liberal, 48; German Freethinking, 28; Central, 102; Imperial Liberal Conservative, 22.

How does socialism show itself in the United States?

We have it without knowing it in many public benefits, and we hear its advocates proclaim it in party platforms and campaigns.

What is nationalism?

It may be called the American species of socialism, a moderate, conservative socialism. Nationalism appeals to all classes, socialism to the wage-earning class.

by Holy Writ, or inferentially resulting from it, so as to be truly a system of divine right.

"Among Protestants what is called Christian socialism is little more than a vagrant opinion in any country, but among Catholics it has grown into a considerable international movement, and has in several states, especially in Austria, left its mark on legislation.

"The Catholic socialist movement shows no disposition to coquette with revolutionary socialism. They are under no mistake about the nature or bearing of socialist doctrines. Our Christian socialists in London accept the doctrines of Marx, and hold the laborer's right to the full product of his labor to be a requirement of Christian ethics, and the orators at English church congresses often speak of socialism as if it were a higher perfection of Christianity. But Catholic socialists understand their Christianity and their socialism better."—"Contemporary Socialism," by John Rae.

The editor thinks it may not be improper to classify Arnold Toynbee as a Christian socialist, and to rank with him his American followers, those that grow gardens in waste places, those that point the way to the science of social economics in such beneficent institutions as Hull House, Chicago Commons, and their four-score like. The following is from a sketch of Arnold Toynbee, by the famous Jouett, master of Baliol College, Oxford. It is from the preface from Toynbee's lectures on "The Industrial Revolution in England in the 18th Century," and other themes:

"The secret of his influence was his transparent sincerity. No one could find in him any trace of vanity or ambition. Whether he received money or not, if he could only supply his moderate wants, was a matter of indifference to him. He was equally indifferent to the opinions of others, and probably never in his life said anything for the sake of being appreciated. He seemed incapable of entertaining a personal dislike to any one, and it may be doubted whether he ever had an enemy. He was

What is Christian socialism?

Christian socialism is thus defined by the Century Dictionary: "A doctrine of somewhat socialistic tendency which sprang up in England about 1850, and flourished under the leadership of Charles Kingsley, Frederick D. Maurice, Thomas Hughes and others. The main contentions of its advocates were (1) that Christianity should be directly applied to the ordinary business of life, and that in view of this the present system of competition should give place to co-operative associations, both productive and distributive, where all might work together as brothers; (2) that any outer change of the laborer's life, as aimed at in most socialistic schemes, would not suffice to settle the labor question, but that there must be an inner change brought about by education and elevation of character, especially through Christianity; and (3) that the aid of the state should not be invoked further than to remove all hostile legislation. A similar scheme appeared somewhat earlier in France. The doctrines of Christian socialism, or similar doctrines under the same name, have been frequently advocated in the United States."

very frank and unreserved. There was nothing in that 'schoene Seele' which might not have been seen and known of all men. He was not a socialist or a democrat, though he had some tendencies in both directions. He was not a party politician at all; but he had a strong natural sympathy with the life of the laboring classes, and he was a student of history. For several months in successive years he resided in Whitechapel. There he lived in half-furnished lodgings, as far as he could after the manner of workmen, joining in their clubs, discussing with them (sometimes in an atmosphere of bad whisky, bad tobacco, bad drainage) things material and spiritual—the laws of nature and of God. He took an active interest during the later years of his life in the reform of the established church. The church of the future was the union of the whole nation, or at least of the intelligent classes, in one body for a common purpose, masters of their own circumstances, and fellow-workers toward a common end."

The term Christian socialism was born in England in a time of economic and social distress. Famine and taxes marked 1848 a bad year for the English and Irish laborers. There were riots and the Duke of Wellington himself assumed military control of London. Among the reform forces of thought and action were Charles Kingsley, F. D. Maurice, J. M. Ludlow, Thomas Hughes, Archdeacon Hare and Archbishop Whately. A key to popular relief was sought in co-operation, in co-operative stores. The term "Christian Socialism" was agreed upon in 1849, this, wrote Maurice, being "the only title which will define our object, and will commit us at once to the conflict we must engage in sooner or later with the unsocial Christians and the unchristian socialists." This position was taken largely because of the state of things in Paris, thus characterized by Ludlow who had been there: "Socialism must be Christianized or it would shake Christianity to its foundation, precisely because it appealed to the higher and not to the lower instincts of man." A periodical, the *Christian Socialist*, was started.

Christian socialism in America is more recent. It has had representative teachers in Boston and in the Rev. Drs. Heber Newton, Lyman Abbott, Rylance, Washington Gladden, G. D. Herron, Prof. Richard

Certain bitter experiences have led Americans to class socialism and anarchy as birds of a feather. Is this distinction scientific and just?

No. Socialism depends upon some form of government. Anarchy exalts the freedom of the individual and wants no government. In Germany the social democrats are many; therefore the anarchists are few. Socialism looks to a co-operative commonwealth with government, anarchy to a co-operative commonwealth without government.

What is land nationalization and the single tax?

The first is a socialistic theory, the second a theory of social reform popularized by Henry George. They may be described thus: First, note that interest is payment for capital, rent is payment for location, and net profit is payment for skill. The single taxer draws a sharp distinction between profits from skill and enterprise, which a man may fairly claim, and rent resulting from location; for the movement of people generally makes any given location a profitable one to do business on. So the single

T. Ely, and Graham Taylor. Christian Socialism is the application to society of the way of Christ. It would replace competition by fraternal combination.

Condensed from "The Encyclopedia of Social Reform."

The single tax is thus defined by Byron W. Holt in *Municipal Affairs* for June, 1899: "The single tax is a tax on land values, irrespective of improvements, or more correctly upon the value of the privilege of using land. Where this privilege is worth nothing, there will be no tax. If the privilege is valuable, it will be taxed, it will be taxed according to its value. Farm lands will be taxed according to their value for farming purposes; mining lands for mining purposes; village and city lots for building purposes; streets for franchise purposes—that is for privileges of use by street railway, gas, electric light, heat, water and power companies.

"Those who advocate this system of taxation believe that all necessary revenue for public purposes—federal, state, and local—can be provided by this one tax upon the value of land, and that in any taxing district, no matter what its area or population, an entirely adequate amount can thus be easily raised. Hence they have called it the single tax. (Other names are 'ground-rent tax,' 'site-value tax,' and 'land-value tax.')

"The single tax necessarily demands the abolition of all taxes upon earnings, food, clothing, furniture, money, mortgages, bonds, buildings, cars, locomotives, rails, poles, electric wires, etc. In the case of farms, all taxes on value represented by fences, drains, bridges, wells, planted trees and vines, farm animals and growing crops would also be abolished.

"The principle of the general property tax is that each should pay in proportion to his ability. The principle of the single tax is that each should pay in proportion to the direct benefits he receives from the public.

"The single tax principle is now applied in forty states and one territory, in what are known as 'special assessments,' or 'betterment taxes.'"

Thomas G. Shearman thus sums up single tax: "Tax nothing made by man. Tax everything not made by man. Collect all public revenue out of, and in exact proportion to, the revenue which some men collect from other men, for permission to use that which no man made."

taxer would make all land common property, that is to say, nationalize it, and let the profit from location go to the public; or he would leave the title in private hands as now, but tax the economic rent, that is, the value the public and not the incumbent confers, and tax it to its full amount in lieu of all other taxes. Hence, wherever society creates values, in the business center of a metropolis or on a barren farm, society would collect proportionately to its service.

What may be called the strength of socialism?

It takes in everybody. A place is planned for weak and strong alike. It abolishes the waste of competition, and the element of chance in production. Some vast organism is planning and producing for us all; no part is seeking to destroy another. Goods will be made for use and not for exchange. Cooperation in place of rivalry; never too many clothes, never too little wheat. There would be no panics, crises or depressions, for these are the children of competition. It would make the most of inventions and discoveries, because it would pay to do so. It would abolish the struggle between employer and employee. It would distribute the things society makes so as to avoid both pauperism and plutocracy. Nothing is too good for the people. The end is the real brotherhood of man. "One for all, all for one." A nobler race, a nobler government.

"The trend of this trust-making process is unmistakable. If it continues a few great trusts, governed by a few unscrupulous men, will direct the course of American industries and be the masters, politically as well as industrially, of the American people. Without themselves producing, they will determine the character and extent of production by others, and will measure out compensation by their own arbitrary will. And no power known to the law will then be strong enough to shake them off. Even revolution would be hopeless, for in this republic of theoretical equality, when the single source of power shall have been secured, the despotism of the trusts will advance, as it is even now advancing, 'in the name and with the might of the people.'"—From address of National Anti-Trust Conference, Chicago, Feb. 12, 13 and 14, 1890.

Jane Addams and Ellen Starr founded Hull House, Chicago, in October, 1889. They converted an old house, of this family name, into a heart of light and good in a Chicago district of social despair. The settlement has grown in too many vital ways to particularize here. Its master hand is Jane Addams. She holds to views like these: "Hull House endeavors to make social intercourse express the growing sense of the economic unity of society. It is an effort to add the social function to democracy. It was opened on the theory that the dependence of classes on each other is reciprocal, and that as the 'social relation is essentially a reciprocal relation, it gave a form of expression that has peculiar value. It is not difficult to see that, although America is pledged to the democratic ideal, the view of democracy has been partial, and that its best achievement thus far has been pushed along the line of the franchise. Democracy has made little attempt to assert itself in social affairs. We have refused to move beyond the position of the eighteenth century leaders, who be-

What may be called the main weaknesses of socialism?

"The tendencies to revolutionary dissatisfaction which it would be likely to carry with it; the difficulties in the way of the organization of several important factors of production, notably agriculture; difficulties in the way of determining any standard of distributive justice that would be generally acceptable, and at the same time would enlist the whole-hearted services of the most gifted and talented members of the community; and the danger that the requirements of those persons engaged in higher pursuits would be underestimated, and the importance of those occupations which contribute most to the advancement of civilization should fail to secure adequate appreciation."—RICHARD T. ELY.

What comfort does the socialist find in the contemporary aspects of industrial evolution—in trusts?

He sees that unification or monopoly in every branch of industry must surely come.

lieved that political equality alone would secure all good to all men. We conscientiously followed the gift of the ballot hard upon the gift of freedom to the negro, but we are quite unmoved by the fact that he lives among us in a practical social ostracism. We hasten to give the franchise to the immigrant from a sense of justice, from a tradition that he ought to have it, while we dub him with epithets deriding his past life or present occupation, and feel no duty to invite him to our houses. We are forced to acknowledge that it is only in our local and national politics that we try very hard for the ideal so dear to those who were enthusiasts when the century was young.

"Our consciences are becoming tender in regard to the lack of democracy in social affairs. The social organism has broken down through large districts of our great cities.

"The desire for social, higher social pleasure (in workingmen) is extinct. They have no share in the traditions and social energy which make for progress. Too often their only place of meeting is a saloon; their only host a bartender; a local demagogue forms their public opinion. Men of ability and refinement stay away from them.

"The settlement movement is only one manifestation of that wider humanitarian movement which throughout Christendom, but pre-eminently in England, is endeavoring to embody itself, not in a sect, but in society itself.

"Life is manifold, and Hull House attempts to respond to as many sides as possible."

John Brisben Walker in *Cosmopolitan* for July, 1900:

"Trusts are in the direction of good organization. Trusts are doing away with the wasteful methods that have come to us from barbarism. Nearly all the benefits of these magnificent organizations now go to a few individuals. It is contrary to the best interests of the public and dangerous to a republican form of government that these profits should continue to accumulate in such enormous percentages. How are we going to bring the benefits of scientific organization into the hands of the many instead of the few? Eighty millions of people under a form of government which may be denominated a republic tempered by the use of money at the polls, up against the question of the distribution of wealth. Let it

If he is right, what then?

We should have to choose between private monopoly and public monopoly, which is government ownership.

What would be the choice?

The people's trust.

go on upon present lines, and in ten years more not all the intelligence of the nation can provide a remedy. And is there any remedy today? Only one—government ownership."

Haverhill, Mass., elected the first mayor (John C. Chase) ever chosen in an American city on a distinctly socialist platform. Since then Brockton, Mass., has chosen a mayor from the Social Democratic party.

HOW A TRUST IS FINANCIERED.

IX.

How is a trust financiered?

It may be explained in the words of Charles S. Fairchild, ex-secretary of the treasury, addressing the American Economic Association, at Ithaca, December 27-29, 1899, on "The Financiering of Trusts":

"Let us assume that the promoter has secured options upon the plants, assets and good will of ten separate manufacturing concerns, for which he is to pay under the terms of his options \$3,000,000 in cash and \$6,000,000 in preferred stock, and \$4,000,000 in common stock of a new company of \$20,000,000 capital (half preferred stock), to be formed to acquire the entire plants, stock and other assets, good will, etc., of the ten concerns specified and to have when formed at least \$1,000,000 of working capital."

Where does the promoter raise the money?

"As soon as these options are in this definite shape the promoter goes to some financial house or firm of private bankers for assistance in raising the \$4,000,000 of cash which the plan requires. He presents the facts as to his options and his programme, and proposes that if they will arrange a syndicate to underwrite or guarantee the purchase of \$4,000,000 of preferred

"Those companies that have been organized with a fair degree of conservatism have often assumed or have compelled the constituent companies to pay off all their debts before the parent company began business. The effect of this policy in large sections of the country has been to relieve many small banks of the burden of carrying, with considerable risk at times, the business of these companies. At the same time it has deprived many of these small banks of their best customer. On the other hand, many of the large city banks, from underwriting or accepting as collateral the stock of the new parent companies, find themselves carrying a heavy burden which it is very difficult to shift. The instability of these securities, with the large numbers of them thrown upon the market, has tended during the last year to make bankers much more conservative in accepting the stocks as collateral for loans, or in attempting to place the stocks upon the market; so that the worst period of this speculative organization has, in all probability, passed."—"The Trust Problem," by Prof. J. W. Jenks.

stock and \$4,000,000 common stock for \$4,000,000 in cash, he will give them a commission of 5,000 shares of the common stock of the company. The bankers give the entire project careful investigation, usually employing experts and accountants to report upon the facts as to the business and profits of the constituent companies. If the result is satisfactory, the promoter gets a favorable answer and the bankers become the managers of an underwriting syndicate."

What does the underwriting syndicate do?

"In carrying out this part of the programme the bankers proceed to lay the matter before the individuals or companies to whom they desire to offer an interest in the marketing of the stock. This is naturally done by submitting copies of a syndicate agreement reciting that the subscribers agree to purchase at par the number of shares of preferred stock set opposite their respective names, receiving as a bonus an equal amount of common stock—but the whole conditioned upon there being an aggregate subscription equal to the \$1,000,000 to be raised. If this amount is oversubscribed, some subscriptions are either thrown out or cut down. If it is not subscribed the project has to be abandoned or modified. In some cases the desired end is sought by a public announcement of the terms on which the subscriptions will be received."

What is in order after subscription and incorporation?

"If the entire \$4,000,000 is subscribed, the next step is to require the payment of the subscriptions allotted. This gives the syndi-

"Some of our states forbid the issuance of stock for services; others permit it. It is readily seen how a skilful promoter, who may have succeeded in bringing together a large company whose profits, on account, it may be, of some monopolistic feature, bid fair to be large, may readily assume that his services have been of great value to the company, and receive a large amount of stock in consequence."—"The Trust Problem," by Prof. J. W. Jenks.

"A large proportion of the new industrial combinations issue preferred stock instead of bonds, the preferred stock often representing what is supposed to be the fair cash value of the plants themselves. For each share of preferred stock there is also frequently issued to the holder thereof one or more shares of common stock as a bonus, which may fairly be considered 'water,' and which takes the place of the common stock so often issued by public service corporations when the cost of building has been substantially raised through the selling of bonds. If the company should be successful in making large profits, dividends will be paid on the common stock in proportion to its degree of success. If the company is less successful, while holders of the common stock will receive no dividends, they will still have a voice in the management or possibly indeed the entire management of the business of the corporation, and the fluctuating chances for future business and future profits will give the common stock a more or less range of value as time goes on."—"The Trust Problem," by Prof. J. W. Jenks.

cate managers the \$4,000,000 cash which the plan requires. The new company is then incorporated with an authorized capital of \$10,000,000 preferred and \$10,000,000 common stock, of which perhaps \$5,000 of the common stock is paid up at once; and on this the company begins business with a regular board of directors. The stockholders owning this first \$5,000 of stock (50 shares) then vote to authorize the increase of the capital to the amount fixed in the certificate of incorporation and approve the issue of all the additional stock in a block to John Doe, the promoter, in exchange for the various plants, assets, etc., and the \$1,000,000 cash which the new company was to acquire. Then by simultaneous transactions John Doe gets the \$10,000,000 preferred stock and \$9,995,000 common stock; of this \$6,000,000 of the preferred stock and \$4,000,000 of the common stock is passed on to the owners of the original companies; \$4,000,000 of each is passed to the syndicate, whereupon it turns over to John Doe the \$4,000,000 of cash, which he in turn uses to pay the cash required by the options and that which is to go into the treasury of the new company; at the same time the titles to the various properties are passed to the new company. John Doe then finds himself—after turning over to the banking house which formed the syndicate the 5,000 shares of common stock agreed upon as a commission for their services—the possessor of 14,950 shares of common stock, of the par value of \$1,495,000."

How is the stock issued to the public?

"In planning the details of the various consolidations there has been great diversity. In some cases there has been only a single kind of stock—common stock. Such, for example, are the Stand-

In his interesting chapter on "Promoter and Financier," in "The Trust Problem," by Prof. J. W. Jenks, the writer says that testimony before the Industrial Commission seemed to show that in the organization of the Standard Distilling and Distributing Company, for each \$100,000 cash value secured the promoter received \$150,000 in common stock. Moreover, the seller who entered the combination received \$100,000 in preferred and \$100,000 in common, at the same ratio, and \$100,000 preferred and \$150,000 common went to the underwriters. So each \$100,000 of cash valued property was presumed to earn dividends on \$600,000. "Would the attempt to do this put prices up, especially if the organization had some monopolistic power?" asks Prof. Jenks.

When the tin plate manufacturers wished to combine, as Prof. Jenks explains, they commissioned Judge William H. Moore of Chicago to bring it about. He secured an option of purchase for cash at a fixed sum upon the plants of all firms or corporations wishing to combine. With these options Judge Moore organized a company with an authorized capital of \$50,000,000, of which about \$46,000,000 was later issued. For this capital stock the combining companies were to turn in about \$4,000,000 in cash and all their plants. It was understood that the cash options amounted to something less than \$18,000,000, and that about \$18,000,000 of preferred stock and the same amount in common were issued against the properties

ard Oil Company and the Amalgamated Copper Company, both among the largest of the so-called trusts. In most cases, however, there have been two kinds of stock, preferred and common—frequently evenly divided in amount between the two. When put out to the public through a syndicate, the preferred stock has usually been offered at par with a bonus of an equal amount, or 60 per cent, 75 per cent, or 80 per cent in common stock. In the terms on which the preferred stock is issued, there is equal diversity. So far as one can generalize, it might perhaps be said that the most general plan has been to issue a 6 per cent or 7 per cent preferred stock, preferred not only as to dividend named, but as to assets as well."

How may the preferred stock be further protected?

"In some cases the position of the preferred stock has been made exceptionally strong. Take for example the preferred stock of the Royal Baking Powder Company, which, under the plan there followed, is allowed no voting power or representation in the management so long as the quarterly dividends of 6 per cent per annum are regularly and promptly paid. If there should be a default in the payment of that dividend, the entire voting power and management pass from the common to the preferred stockholders. This provision thus leaves the preferred stockholders in much the same position as if their interest was represented by bonds—but without the difficulty, expense and delay of foreclosure in case of default in payment of interest."

How are trusts the stronger for having no bonded debt?

"In the most of the recent consolidations there has been included no bonded debt. This I believe to be wise, inasmuch as it leaves the company with no fixed charges and thus in a much stronger position in a period of depression than it would occupy if it were obliged to meet the interest on a large amount of bonds. Because

and cash, and that \$10,000,000 in common stock went to Judge Moore for all services and expenses. When the company was organized one share of preferred and one of common together sold for considerably more than \$100. Aside from what the promoter could realize on his \$10,000,000 common, there was a good thing in the difference between the \$18,000,000 and the sum for which close bargaining might enable him to buy the combining plants. On the other hand the \$18,000,000 might have proved less than the plants would accept.

To create the Distilling Company of America, authorized capital \$55,000,000 cumulative, 7 per cent preferred, and \$70,000,000 common, there was placed in the hands of the organizers \$31,250,000 preferred and \$46,250,000 common stock. This company combined four existing companies, each a combination. At the rate the stocks of the new company sold soon after organization, the promoters and financiers, if they were able to sell promptly, possibly netted from \$3,000,000 to \$4,000,000 for their services. But promotion is speculative and hazardous, and therefore large compensation is demanded and received.

of this infrequent use of bonds in the consolidations which have been made in the industrial field, the first long-continued period of depression will not produce the abundant crop of reorganizations that has in the past attended depression in the railroad field."

What determines the capitalization of trusts?

"In the issue of common and preferred stocks in the capitalization of the corporations we are considering, an attempt has frequently been made to limit the preferred stock to the value of the actual tangible assets turned over to the new company, real estate, plants, tools, machinery, stocks of goods, working capital, etc., leaving the common stock to cover the value of the 'good-will,' expected earnings, expenses of promotion, etc. This brings up a question which is of much importance to those who invest in the new company's stock, viz.: 'In what manner has the value of this "good-will" been estimated in fixing a price upon the various constituent companies?' Nearly every proposition for a consolidation has been accompanied by the results of a careful investigation into the net earnings of the constituent companies for a number of years past. These earnings, aug-

Prof. J. W. Jenks, at Chicago Conference on Trusts: "Most of the newer combinations of capital have issued large amounts of stock, common and preferred, as well as of bonds. It is important, at least for the investor, to know the facts regarding it: How much of this capital is represented in plants at a fair valuation? How much in patents or brands? How much in good will in the proper sense of that word? How much is 'water'? It is asserted by some that no harm is done the public even though the capitalization be much beyond the value of the plants; that the amount of capitalization has no effect on prices. Others, who believe that in these combinations an element of monopoly is found, think that an attempt to pay dividends on a large capitalization does increase prices. One class of persons asserts that capital stock should be limited to the amount of capital actually paid in in cash, or in plants taken at a conservative valuation. Another class believes that capitalization should be fixed by the probable earning capacity of an establishment. It is urged as an example, that a newspaper with a plant valued at a hundred thousand dollars may well earn large dividends on a million, owing to the genius of the editor. Why, it is asked, not capitalize at a million? But on the other hand it is asked, should we put into permanent securities to be bought by the investing public a value depending so largely upon the talents of one short-lived individual? Again, a street railway which costs \$500,000, and whose franchises have cost nothing, may well pay good profits on \$1,000,000 or \$2,000,000. Is it in the public interest that a public franchise be thus capitalized into permanent securities, so as to pay dividends on \$1,000,000 or \$2,000,000, especially if the people are prevented thereby from seeing the source of profits? Most persons would readily grant that genius, or even the nerve that is shown in investing capital in new enterprise, should meet with a fitting regard. It is a question not yet practically settled, and one which most people have not yet even settled in principle in their own minds, whether it is in the interest of the public that by high charges dividends should be earned on capitalization which represents a public franchise, or on that which represents a monop-

mented, perhaps, by an estimate of the economies to be effected by the consolidation of the various enterprises, form the basis of the estimated net earnings of the new company. Care is then taken that the capital stock is not made so large that the estimated earnings will not afford the dividend upon the preferred stock and a substantial dividend upon the common stock."

olistic element created simply by the aggregation of capital, without the application of special talent or exceptional skill. Is it desirable to limit capitalization or to give to the public by taxation part of the profit or to make the nature of the capitalization of each organization public, so that any investor can readily learn how large a proportion in every case is represented by plant, how much by patents or special brands, how much by good will and how much is nothing but 'water'?"

"Some companies provide in their charter for an authorized capital far beyond their immediate needs, in order to save the necessity of filing a certificate of increase of capital should it afterward be found that more capital is required."—"DILL on New Jersey Corporations." By the amendments of 1900 to New Jersey's corporation laws the capital stock issued, though it may not have been paid in, must be reported each year.

PROPOSITIONS.*

X.

Property rights or human rights?

Many industries in which combination exists have no tariff protection.

Some industrial managers say organized labor forced them to combine.

Combination does not abolish competition, but raises it to a higher plane.

Where there is not state monopoly (e. g., postoffice) there is potential competition.

Competition is fiercer among great industrial organizations than among smaller establishments.

If one establishment controls 75 to 90 per cent of the total product will a rival dare to enter the field?

Managers of some combinations in protected industries say the fierceness of home competition has driven them to combination.

It is as plain as an axiom that until the railroads are permitted to combine the biggest shipper will buy his transportation cheapest. This is a mercantile principle and should govern in transportation as in commodities.

"We do not say a corporation is good or bad until we know the corporation. If the larger combinations can be controlled as well as a large part of Massachusetts corporations are controlled, then we may say the trust is not to be feared but welcomed."—
PROF. JOHN GRAHAM BROOKS.

*This is a section of paragraphic pros and cons, truths and fallacies, most of the ideas having been extracted from the printed report of the Chicago Conference on Trusts. They are used here to excite thought and supply material for argument. Nobody can believe all of them, but everybody can believe some of them. The editor considers them worth while, because they are the conclusions of people who think and feel—of leaders. They represent all shades of opinion on the trust question. To the writer and public speaker they may prove no petty inspiration. Credit is not given for their authorship, save in a few instances. They may be said to be the fugitive opinions and queries of the American people on trusts.

If combinations are to work for public and private good they must be subject to publicity of methods and accounts, and be deprived of every artificial advantage given by the tariff. Otherwise the trust plays against the public with loaded dice. Radical discriminations to combinations must not be allowed.

Only a great aggregation of capital can meet foreign competition and push export trade.

A trust, made up of strong and weak establishments, may be stronger than its weak members, but far from equal to its prosperous ones. The trust carries a certain percentage of rubbish and is capitalized high. This is a handicap, increased by the facts that the public may do without its product, and other capital is sleepless, looking for prizes.

Capital says it was forced to combine, and that the trust instead of being an aggressive combination is capital on the defensive.

"It is idle to make offenses out of acts which are necessary, and hence the first question underlying the whole debate about trusts, pools and monopolies, and contracts in restraint of trade is not merely whether they produce inconvenience, now and then enrich men whom we should prefer to see poor, or impoverish men whom we should like to see rich—these consequences have attended the progress of civilization since the dawn of history—but whether pools, trusts, monopolies and contracts in restraint of trade are not really a necessary part of our civilization, which cannot be superseded without the disappearance of civilization itself."—The "Nation."

Shall the Interstate Commerce Commission be given greater powers, or is national ownership feasible today?

"Enactments will not cure the tendency toward combines. Economic laws will rectify their errors and protect the people. Whenever legislatures invade the domain of economic laws with statute laws, they merely show the power and majesty of the former and italicize the feebleness and littleness of the latter. Too much legislation begets all the real and all the possible evils which combination of capital, even under a protective tariff, is capable of inflicting. 'Let alone' trade, manufacture and distribution are good servants to all the people."—J. STERLING MORTON, late Secretary of Agriculture.

Suppose a trust has put prices up, might not competition, had it continued, have resulted in failures, and so shortened supply that prices would have risen far above trust rates?

Combinations plead their capacity to measure supply to demand, thereby preventing overstocked markets, depressions and panics. But does not a steady market imply an equation between goods and the purchasing power of people who want the goods? Whereas trusts concentrate control and values, and intensify the conditions leading to commercial crises.

Does combination lower or raise prices of finished product?

Does combination hold prices of raw material lower than normal?

There is a distinction between a large and powerful organization and a monopoly.

Can competition force prices so low that competitors will be bankrupted and the public injured?

Are people generally better off when the fiercest possible competition is encouraged?

Labor says the combination of capital gives capital greater power to resist labor's demands and endure its retaliation through strikes.

Labor says the growth of great corporations gives the death blow to trade unions.

Labor also says that a labor combination in one whole industry makes it as well off as it was before capital combined.

If capital combines and labor combines and they treat with each other for mutual advantage, may they not control prices to consumers better than ever before?

Would not the capitalist prefer to tax the consumer before the workman?

May not the workman become a stockholder in the combination of capital, and does not such a union of labor and capital need the most careful study?

The development of foreign trade by combination increases the demand for home labor.

What of the middleman? If many jobbers and wholesale dealers are driven temporarily out of business through the trust dealing directly with a few, is this elimination, this saving of labor, better or worse for the community? Will these men thus displaced, perhaps ruined, soon be able to secure employment elsewhere through the added demand that may come from the saving of cost and labor energy, and from increase in export trade?

Does the trust, killing small establishments, also kill individuality in young business men, or do great organizations give full play to individual initiative, and make reward more sure to real merit? Is this the law: "The best men have better opportunities for higher position. The average men do not lose. The poor men are more surely thrust down to pure routine labor"?—
PROF. J. W. JENKS.

Many trust managers say combination has raised wages.

Is the trust a labor saving machine that will lower prices, increase the demand for goods and so the demand for labor; or is the trust a conspiracy of the few rich against the many poor?

If the state is to interfere in this modern industrial movement what can or should it do? Shall it regulate or destroy? What shall the nation do and what the states? Can the nation make

national incorporations of great industries, and can these thus under federal control be safe from all kinds of state legislation?

Can Congress, under our present constitution, inquire into and make public the nature and business of our great corporations; and, if such publicity is sought, is a special bureau or commission needed?

Would such inspection, if it shows very high profits, so lower prices in fear of competition, that the public would be benefited; or would it be better to give part of the profits to the public through taxation?

Can state legislation promote popular interests unless there is uniform legislation in all states, and can such uniformity ever be hoped for?

"'Individuality.' You are going to destroy 'individuality.' There are two individualities: that of the dullard who submits to take his railroad transportation, his light, his coal, his salt, his reaping-machine at such prices and of such quality as arbitrary power forces upon him, and that of the shrewder man who, by an alliance of the individualities of all, supplies himself at his own price."—HENRY D. LLOYD in "Wealth Against Commonwealth."

First of all we need industrial analysis as a guide to right policy and sound legislation.

If the tendency toward consolidation is natural the legislature should look to control of the industrial forces thus brought together. If the tendency is artificial the legislature should look to restore the conditions under which individual enterprise may maintain itself.

Industries are not all of the same kind. Some tend to combination—for instance, transportation—some tend to separate and competitive existence, as the manufacturing industries.

The development of machinery has cheapened production; but manufacturing industry has a maximum efficiency which more labor and more machinery cannot increase. It has a limit. Therefore it is not true that concentration and combination beyond a certain point tend to reduce cost of production. Therefore it is not true that the motive of trust organization is a desire to benefit the public by reducing cost.

"In addition to purely industrial considerations it is necessary to inquire respecting the general social and political results of trust organizations before one can accept them as a healthful tendency in modern life. It must be remembered that our industrial society rests upon English jurisprudence, that English jurisprudence acknowledges the individual as the center of all industrial activity, that it provides for him the institution of private property, holds him to strict accountability, and assumes that competition between producers, on the one hand, and purchasers, on the other hand, is a guarantee of justice and equity

in all industrial conduct. Do trusts fit naturally into this theory of society? For the preservation of democracy there must be maintained a fair degree of equality in the social standing of citizens. Do trusts tend to such equality? For the normal workings of that industrial society which is the product of six centuries of history the door of opportunity must not be closed. Do trusts tend to close the door of opportunity? For the realization of the American idea of government there must be a balance of power, not only between the several departments of government, but between the government, on the one hand, and interests that lie outside the government, on the other hand. Do trusts tend to destroy this balance of power?"—PROF. HENRY C. ADAMS.

The inequalities of railroad rates work toward consolidation of manufacturing industries and commercial enterprises. In so far as railways favor large shippers so far shippers seek to become as large as possible. Transportation determines the conditions on which all other forms of business are carried on. The railway problem is of prime importance.

High prices lead the public to seek substitutes.

The commercial jurisdiction of modern business is much broader than the political jurisdiction of the governments which theoretically control it. A national market has taken the place of a local market, but local law regulates it. If competition would be free and normal there must be uniform law and procedure as well as uniform railway rates.

We lack adequate organization over large areas of industrial life. The time is at hand for some kind of wide, thorough and effective organization. The immense pressure of the necessity is producing the trust. Men will fight it as they fought machinery and with the same result.

The trust plus special railroad favors can never be other than a danger because it makes directly for an economic inequality that is based on secret privileges that are impudently unfair.

If the trust movement spreads by far the larger part will go to the wall from sheer speculative bravado. The people meanwhile will be rapidly educated, and above all the banks will be swift to learn the lesson.

There will be temporary displacement of brains and labor, but the readjustment will come, and the growth of industrial machines will put to work a larger and larger proportion of the people of the United States.

"It is not yet proved that complete monopoly can secure many material advantages in production over independent enterprises large enough to secure full efficiency of plant. * * * Independent establishments compete with the largest monopolies so effectively that they are crushed only by foul means. * * * Whenever the great combinations shall be able to make a profit

from selling at prices so low as to make it impossible for independent producers to compete on equal terms, then all will have to admit that monopolies possess greater advantages in the mere work of production. * * * A higher standard of commercial morality, a more moderate business policy, and a development of trade statistics that shall make possible an accurate forecast of the market would change the nature of competition considerably, and would terminate many of its worst features at the present moment."—PROF. CHARLES JESSE BULLOCK.

The people should not forget the uses in denouncing the abuses of the trust.

When industry got to the stage of factories in England the courageous and farsighted went in and made 200, 300 and 400 per cent. But competition and factory legislation checked such profits. Very few trusts will reach this mark.

The trust that stays will bring the very ablest men to the front; men not likely to affront an alarmed, suspicious and powerful public.

If capital seeks combination even under the protection of a tariff, what will international competition force it to do without that tariff? Profits might be reduced, but would not the organization grow more compact, the trust grow trustier?

It is a paradox beyond conception that after combination has killed competition, it should voluntarily reduce its own profits.

Monopoly of land is, after all, the ultimate basis of the trust. It is an absolute condition to success that the trust have its feet upon the earth.

Of thirty-two trusts, capitalized at \$1,208,666,300, incorporated in New Jersey, all but five are protected by tariff duties ranging from 30 per cent upward, and all but two are protected by the tariff or other laws to some extent.

How shall we distinguish among corporations? Shall we by law control the great ones and not the small? Is the legislature wise enough to say beforehand how much shall be charged for sugar or oil?

One-fifth of the wealth of the United States is in railroads. Go slow before crippling such purchasing power by enforcing unrestricted competition.

Corners are acute attacks of that which combinations exhibit as chronic.

"Competition before reaching the point where the leaders in a particular industry are forced into final combination, tends to lower the wages of labor in that industry. After competition has forced the final combination, the wages of workmen in but few instances have voluntarily been increased, and sometimes they have been reduced. Those in control of the capital, desiring to recoup for past losses, and to secure the greatest returns for the

future, still find it to their interest to keep down the cost of production. From this has arisen the cry that a main purpose of industrial aggregation is to crush the workingman. To retain their employes, however, even great combinations are usually obliged to pay wages not less than can be obtained in other fields."

—LOGAN G. MCPHERSON, in *Popular Science Monthly*.

"While in the power of trusts and combines to make profits at somewhat lower rates of prices than would be possible under free competition, they nevertheless do probably check slightly the normal decrease in prices that comes with increasing facilities for manufacturing. At any rate they hold prices so that they can make much better profits than under free competition. Competition, however, and the checked demand that would come with too high prices, generally in the long run prevents the prices from being much higher than under free competition. Trusts cannot be entirely arbitrary in fixing prices. This seems to be the universal testimony."—PROF. J. W. JENKS.

"The day of old-time competition is set. Law or no law, capital will henceforth march mostly in phalanxes."—E. BENJAMIN ANDREWS.

"There are four methods by which the public derives benefit from the individual control of values, or individual wealth: (1) The owner is enabled thereby to support himself and family, and prevent them becoming a charge upon the public. (2) By the payment of taxes for the support of government. (3) By voluntary benevolence in promotion of charity, education and religion. (4) By the undertaking and achievement of enterprises requiring large individual investments."—ALBION W. TOURGEE, in *North American Review*.

"Out of four hundred trusts which I have enumerated, I do not believe that ten have lowered prices. In fact, I know of none, except one or two, and these have depreciated the value of their product. In one such case the prices are held so high that there are heavy imports of competing goods, although there is a duty on them of nearly 100 per cent. In nine cases out of ten trusts have raised prices—often more than 50 per cent. That much of the present rise in prices is due to general economic conditions is probably true. On the other hand, it is just as true that, had there been no tariff duties, the rise in prices would neither have been so general nor so great."—BYRON W. HOLT, of New England Free Trade League, at Chicago Conference on Trusts.

If the right of laborers to combine and fix prices of labor by preventing the individual laborers from competing for a job by the acceptance of lower compensation is conceded, it must also be conceded that capital has the same right. It must be recollected, however, that the labor union is formed for the purpose

of obtaining for labor an increased share of the profits of production, and that the accomplishment of such a purpose is a distinct advantage to society, and should be favored, while the capitalistic union may so exercise its power as to depress the price of labor and to unduly raise the price of products, and as this power can only be exercised through an artificial being called a corporation, which is the creation of the state, it is the right and duty of the state to limit and control it.

"I cannot recall in the last ten years, a single railway consolidation which has resulted in a higher rate of dividend or of interest being paid, and it is notorious that all the reorganizations made in recent years have been based on a very material reduction in interest. Competition, adverse legislation, increased taxes, enhanced wages, and the better service required by the public, long since made it impossible for railroads in the West to sustain the 10 per cent rate of distribution which prevailed thirty years ago."—STUYVESANT FISH, President Illinois Central.

If protection were lifted from industrial combinations would there result international combinations, or would there be lower prices through foreign competition?

"The right to combine is closely related to the right to contract. Commerce is nothing but a body of contracts. It is therefore entirely plain to me that co-operative methods, the general discontinuance of competition in rates between rival railroads, would tend strongly to remove the inequalities which now exist, and prove a positive and substantial advantage to the great majority of producers and consumers. And I firmly believe that while there is a popular objection to railroad pooling, as it is commonly called, founded largely upon ignorance of its purpose and misconception of its effects, the principal opposition to legalized co-operation, the opposition which has thus far prevailed, comes from the favored few who are reaping unearned profits by the discriminating practices which they virtually compel and of which they are the sole beneficiaries."—MARTIN A. KNAPP, Chairman Interstate Commerce Commission.

The artificial immunities and franchises conferred upon corporate citizenship by legislation and judicial favor have been supplemented by the protective duties levied and enforced for the purpose of enriching incorporated monopoly at the expense of the independent and unprotected industries of personal enterprise.

Reach accumulated wealth by federal laws, but protect individualism. Taxes on corporations will accomplish both. The initial tax should be moderate.

We got republican liberty by agreeing each with the other never to seek to become kings or lords or dukes. We can get industrial and economic liberty only by a like covenant and never to let ourselves or any one else be millionaires.—HENRY D. LLOYD, in "Wealth Against Commonwealth."

Tariff legislation will not reach the difficulty, for while it may be true that the field of competition is restricted by the tariff wall, thus making the organization of a domestic trust easier by reason of the lack of foreign competition, yet it must be recollected that combinations of capital exist in England, France and Germany today, and that the effect of lowering the tariff wall would simply be to substitute a foreign trust for a domestic trust in the control of our markets. This would be at the expense not only of American capital but of American labor. The laborers now employed by our domestic trusts would be idle; their places would be taken by laborers employed by the foreign trusts; the remedy would be worse than the disease. The American union of capital might be destroyed, but with it would go down the American union of labor.

The whole tendency of federal legislation has been to exempt accumulated wealth, and the nation's wealth has been rapidly drifting into corporations.

It is only when work is carried on upon a small scale that long hours of labor, low wages, and unsanitary conditions are found to prevail. Individual employers are the ones who run the sweat shops and employ child labor. In large corporations, the rule is that hours of labor are shortened, and with them there is a general acknowledgment of the rights of the employees. The larger the concern is, the greater, too, is the steadiness of employment, and the more influential in public opinion is the standing of the employe.

The Union cannot endure nor its freedom be insured half composed of natural citizenship and half of artificial citizenship (corporations).

It is a most alarming symptom that no sort of private enterprise can be inaugurated without the artificial aids of incorporation.

An agricultural state is a producer of raw materials and a consumer of manufactures. Whatever tends to arbitrarily control the prices of the one, or to monopolize the output of the other, is a direct injury to its people and their industrial pursuits.

The trust question, of all questions, is fundamentally and essentially a political question.

"The farmers because of their generally isolated condition and want of organization do not contribute toward molding public opinion in proportion to their numbers and the magnitude of their contributions to society. They seldom secure seats in Congress, and only occasionally anything like a majority in legislatures. Hence they earnestly appeal to all the agencies that contribute so largely to forming public opinion for the enactment and enforcement of just laws. They ask no special favors, but demand even-handed justice and exemption from threatened dangers.

They ask for no acts of incorporation for themselves or interests, but they do insist that if other interests are incorporated theirs shall be safely guarded and safely protected. This claim is not made solely for themselves, but in behalf of all the great interests of the republic. Without reasonably prosperous agriculture other interests cannot prosper. Farmers are quiet, unobtrusive citizens, but they are not cowards."—CYRUS G. LUCE, late Governor of Michigan, in Chicago Conference on Trusts.

Exhaust the economic checks before trying legislation.

Trusts are competitive as well as monopolistic, but even monopolistic trusts must give the best and cheapest if they would live.

Because of overcapitalization the trusts have got to resort to artificial means to pay dividends and so are compelled to put prices up and put wages down. Every director takes pride in the fact that his company pays dividends, and to pay dividends on inflated capital they have got to take money from some place from which they ought not to take it—from consumers through high prices and from labor through lowered wages.

We are on the eve of a social evolution rather than revolution. Never has the common man counted for so much in politics.

Aside from the question of cost to the consumer is the question of citizenship. Only a general distribution of wealth gives a high average of citizenship independence. One man worth \$10,000,000 and 1,000 worth a dollar each would give a remarkably high average of wealth, but only one man would be a man. A nation built on that proportion would be a paradise of wealth and a hell of degradation.—ALBION W. TOURGEE, in "North American Review."

The anti-trust act cannot be understood until the courts have at least answered the question: What is meant by "restraint of trade?" Who are engaged in interstate commerce?

The protective tariff is not the mother of trusts, but the protective tariff is the mother of American wealth and power.

The protective tariff is the only means by which the American people can protect themselves against the most dangerous of all trusts, which is the international trust; and can also preserve to themselves, against all competition, their own market for the results and rewards of their own work, thus avoiding the destruction of their prosperity, independence, manhood and civilization.

"Is it possible that we have already forgotten that it was by government that monopolies were introduced, and by freedom not only in competition, but in combination, that they were destroyed?"—The "Nation."

President Havemeyer of the Sugar Trust, before Industrial Commission, June, 1899: "The tariff is the mother of all trusts, and all this agitation against trusts is against the business ma-

chinery employed to take from the public what the government in its tariff law says it is proper and suitable the trusts should have. The government through its tariff laws plunders the people and the trusts are merely its machinery for doing it."

"What we call monopoly is business at the end of its journey. The concentration of wealth, the wiping out of the middle classes, are other names for it. To get it is, in the world of affairs, the chief end of man."—HENRY D. LLOYD, in "Wealth Against Commonwealth."

Corporations were originally intended to do things beyond the scope of private enterprise, things of a quasi-public character. Corporations for private profit are inconsistent with the equality of a republic, but if they exist they should be limited in scope and capitalization.

It is folly to complain of trusts, and suppress pools and combinations between several corporations, and at the same time permit the formation of single corporations with larger capital than any syndicate yet known.

The powerful always need restraint.

No corporation should be granted a wider field or greater privilege than is granted to an individual.

Corporations are no better and no worse than the individuals who manage them.

No stockholder should know more about a corporation than the public is entitled to know.

It does not hurt us to get our sugar from one trust and our oil from another, if we get them at fair prices. It does not hurt us that railroads agree on rates, if they are fair ones.

The people are now prepared for governmental supervision of railway rates, not the fixing of rates in advance, but the declaration by law of principles upon which rates shall be established, and a compulsion by law of the observance of those principles.

While the law is not wise enough to say what the price of sugar should be next year, it should be able to find out with reasonable certainty whether or no a given price was a fair one last year.

The chief reason why the modern trust takes the corporate form is the financial one, to-wit: Relief from individual liability of the stock owners of the trust beyond the value of the stock owned by them. A corporate trust monopoly stands to win all the profits that may result from combined capital, crushing and destroying competition, while each stockholder is free from the chance of sharing with his personal fortune any of the loss that may come by business failure of the trust. On the other hand, each member of a partnership or association of persons not incorporated who organize or attempt to organize a trust, stands with his personal fortune to share individually the losses of the combine if losses exist.

When single concerns supply us all the necessities as two concerns now supply us sugar and oil, we shall be ready for governmental interference.

"The primary object of a protective tariff is to divide the fullest competition by individuals and corporations in domestic production. If such individuals or corporations combine to advance the price of the domestic product and to prevent the free result of open and fair competition, I would without a moment's hesitation reduce the duties of foreign goods competing with them, in order to break down the combination. Whenever this free competition is evaded or avoided by combination of individuals or corporations, the duty should be reduced and foreign competition promptly invited."—JOHN SHERMAN, late United States Senator, late Secretary of the Treasury, and late Secretary of State.

Overcapitalization, big salaries and incompetent management are practically certain to wreck a large percentage of trusts in the course of a few years.

The trusts or combinations which should be destroyed and which can be destroyed are those which exist by reason of the protective tariff or which could not exist if there were no protective tariff, and those which, either in their organization, or in their methods since organization, have adopted criminal practices, and are therefore amenable to the criminal laws.

There is not an unlawful combination in America to-day that does not owe its existence to some unfaithful representative of the people.

Trusts need not be more objectionable than corporations or sole ownerships. They are subject alike with them to the laws. If they violate the laws, their officers may be punished. If they secure advantages under unjust laws, purchased in their interest, or if they escape the penalties of wise laws enacted to prevent and to punish crime, it is certain that representatives of the people in office have betrayed their trust and would have done it as quickly if the bribe given had represented individuals or had represented himself alone.

The lawless trust can be proceeded against as easily and as effectively as a lawless individual can be, and it would be so proceeded against were it not for its corrupt relations with politics and politicians.

The trust is the highest expression of human selfishness as applied to business affairs. It is on a grand scale, exactly the same thing that every man of enterprise is attempting on a smaller scale.

The state should enact laws providing that no corporation should be organized for any but public and quasi-public purposes, and name distinctly what shall be considered public and quasi-public purposes.

Let us clearly distinguish between a free trader's assault upon trusts, and his assault upon protective tariffs.

In the event of consolidation of all industries into trusts, with the protective tariff forever removed, and with its removal all incentive to new competitive enterprises wholly lacking, does any one suppose that the trusts would dissolve and their constituent companies return to unrestricted competition and price cutting among themselves? Would they surrender to foreign competition and go out of business entirely?

The remedy for trust oppression is not to be found in the death of domestic competition.

On a free trade basis, and with the certainty that no new competition could arise to complicate matters, our industrial captains, being absolute masters of the situation, would not surrender the home market to foreigners, but would make a tremendous fight for the preservation of their existence. They would fight inside the limits of a very small ring—the ring of reduced prices and reduced wages. Prices and wages must come down to approximately the European standard, to say nothing of the Asiatic standard.

Hard times are the best times for trusts. It is then that profits are smallest and that combination is easiest. In good times the problem is not so simple, for it is complicated by the alertness with which capital seeks employment in new ventures and by the active competition in all productive lines, which is a natural consequence of such activity in the employment of capital.

Either we need protection to hold the home market against outside competition, or we do not need protection and can get along equally well or better without it. If we do not need protection, its removal would be valueless as a trust antidote. If we do need protection in order to maintain our hold upon a market with a consuming capacity estimated at nine billions yearly, then the removal of protection would work unspeakable havoc with our country's prosperity.

The entire advancement and improvement of the industrial world are marked by the wrecks and ruins of individuals, but illuminated and glorified by the advantages which they have given to the multitude.

It is but a question of time when our corporation laws shall be brought under congressional control.

Free trade will not compel anybody to trade anywhere, but will permit everybody to trade everywhere. Under free trade monopolies cannot be long-lived. Under free trade the homeopathic maxim that "like cures like," may be verified by killing off one combine with another combine, and by organizing syndicate against syndicate for intense competition, thus keeping prices and profits at a minimum.

It can readily be seen how labor can unite and join forces with the great productive combinations, but how the farmers can do so is beyond imagination. But even if they can form one so comprehensive and so perfect in its operation that they shall be enabled to absolutely control production and prices, in too many cases the children of the poor would go supperless to bed.

If the trust reaches the height of its ambition, the great army engaged in agricultural pursuits will be driven to desperation. The tendency will inevitably be to force them through a trust or otherwise to reduce production, to cease in their efforts to load the cars and vessels as bounteously as before; they will cease to purchase as generously as in the past. In this many others will suffer as well as they.

The anarchist names four monopolies—the money monopoly, land monopoly, tariff monopoly and patent and copyright monopoly. The most serious is the money monopoly. “The money trust cannot be destroyed by the remonetization of silver. That would be only a mitigation of the monopoly, not the abolishment of it. It can be abolished only by monetizing all wealth that has a market value—that is, by giving to all wealth the right of representation by currency, and to all currency the right to circulate wherever it can on its own merits. And this is not only a solution of the trust question, but the first step that should be taken, and the greatest single step that can be taken, in economic and social reform.”—*BENJAMIN R. TUCKER, Editor New York “Liberty,” in Chicago Conference on Trusts.

Commercial feudalism is the logical outcome of the trust. The trust manager is the feudal baron.

“The strength of our republic has always been in what is called our middle class. This is made up of manufacturers, jobbers, middlemen, retail and wholesale merchants, commercial travelers, and business men generally. It would be little short of calamity to encourage any industrial development that would affect unfavorably this important class of our citizens. The trust is the forerunner, or rather the creator of industrial slavery.”—HAZEN S. PINGREE, Governor of Michigan, in Chicago Conference on Trusts.

“It strikes me that if the Texas people had sufficient enterprise to establish industries, to consume their cotton, wool and

*Benjamin R. Tucker was born in 1854 in New Bedford, Mass. He studied at the Massachusetts Institute of Technology and joined a Boston paper. He studied Prudhon and decided that “anarchism” was the most appropriate designation for the political and economic doctrines taught by the New England individualists, Josiah Warren and Col. Wm. B. Greene. *Liberty* is recognized in philosophical and progressive circles of America and Europe as the ablest and most authoritative champion of individualistic anarchism.

other raw material, their manhood would not deteriorate, their opposition to trusts would be less vehement, and they would have more money." (Retort in the Chicago Conference on Trusts, to the anti-trust declarations of Texas, by Charles Foster, late Governor of Ohio, and late Secretary of the Treasury.)

Some say give the corporation more rope and it will hang itself. There is too much at stake. We cannot afford to sap the strength of our democracy to forward an experiment.

We are making rapid progress in securing the markets of the world for our manufactured products. For this, we are first indebted to our economic policy of protection that gave the incentive to an enterprising people, and secondly, to the trust.

When the trusts shall have been properly safeguarded by law their securities will furnish a means of safe investment, as a somewhat higher rate of interest than will be paid by government, state, or municipal bonds, thus affording the opportunity for investment for savings bank and people of moderate means.

Money is the blood of commerce and should flow to the extremities and back to the center, and again repeat this function. But by the influence of the tariff the money is congested in the East and North, and it serves to control the price of products and foster the growth of trusts.

If it is just and proper that the citizen should be protected in the price that he pays for the gas or water which he consumes, or for his transportation on street car or railroad, how much more imperative that he should not be required to pay an exorbitant price for his sugar, beef, flour, fuel or clothing.

All attempts to regulate capital by state legislation will fail simply because it will be impossible to produce voluntary co-operation among the various states. Some states will welcome the advantages which capital extends to them for permitting their territory to become the spawning ground for trusts, and as long as one state fails to co-operate, trusts will multiply.

The control of trusts by trusts is clearly among the possibilities of trust development. As partnerships have merged into corporations, and corporations into trusts, so will trust merge into trusts of trusts, and finally into one all-powerful trust. It is already manifest, and will be a thing accomplished unless we kill the trust system.

The concentration of private property, the right of a man to own all he can get and hold all he gets, will go on with irresistible force so long as the principle of private property in the things by which we live is maintained.

In the clothing trade competition has reached its last ditch, the sweatshop hungry dogs competing for a bone. In this trade industry can be carried on as cheaply on a small as on a large scale. But what of the workers?

Trade unions have no quarrel with the progressive forces of society, but they ask their share in the benefits.

Thus far in this new day of trusts the workmen in rolling mills find their inclination is to treat with organization.

In almost every state labor is invited to aid in the passage of anti-trust laws, but every law of this kind found constitutional reacts upon the freedom of labor to organize.

The independent refiners of petroleum will unite in declaring the Standard Oil Company a monopoly, and yet it cannot be disputed that it was powerless to maintain prices. The reports show that the wholesale export price of oil has declined from 25 cents per gallon in 1871 to less than 6 cents in 1899. The people are getting a better article for nearly one-fifth the former cost; changes in the process of refining have saved the people millions of dollars, without, it is fair to presume, impairing the profits of the company.

Wealth is not created by trusts. Wealth is created by labor, by hard, untiring applications of brain and muscle upon the raw resources of nature. Trusts and monopolies, by the destruction of competition, obtain power to fix prices to the producers and consumers and then plunder all producers and consumers of wealth.

Guarantee absolute equality over the highways of the country so that every butcher can ship a carload of cattle just as cheap as the "Big Four Beef Combine," and the "Big Four Beef Combine" cannot hold a monopoly of the meat business of America twenty-four hours. Guarantee absolute equality over the highways of the country so that the independent oil producers and refiners of America can go to market just as cheap as the Standard Oil Company people, and the wrongs of the Standard Oil Company will soon be a thing of the past. The state cannot prevent the natural concentration of industry. To attempt it is to injure labor worse than the trusts.

Corporate ownership of railroads is the backbone of the trust, and a protective tariff its right arm.

To-day, by a postal system operated by government, the letter of the individual, high or low, goes to its destination just as quickly and as cheaply as the letter of an Armour, a Rockefeller or any king of industry. Send their coal, their oil, their iron, their meat, their wheat to market upon the same terms of equal speed and cost, and these great combines will soon lose their power for evil, and the increase of healthy competition will give increased employment to labor and higher wages because of demand.

Whether we like it or not we are beginning to see vigorous efforts of our law-making bodies to regulate city monopolies of light, heat and transportation. The latter effort has thus far had

its most visible result in many cities in raising the price of the alderman and legislator. It is to be feared that this and some malodorous events in the United States Senate are but a forecast of what awaits us in any really serious attempt to control the trust.

Most ominous of all is the danger in the trust to political purity and personal liberty.

The labor trust is as inevitable as the trust of large capital, but the former, unlike the latter, gives equal vote to all its members, independent of their capital, it admits every good workman on equal terms with the organizers of the union, and is an engine, not of the well-to-do and the wealthy, but of the weak against the strong. The many points of similarity, however, between trades unions and trusts render it very difficult to pass laws preventing the latter that shall not at the same time be interpreted by the courts as preventing the former.

There is no uniformity in our corporation laws, and our legislatures are steadily confounding the confusion.

If trusts control one-sixth of the manufacturing capital of the country, what must be their political influence over their employees?

In the case of the best managed industrial companies the policy has been to keep prices of products high enough to allow reasonable profits on capital invested, but low enough to offer no inducements for competitors to enter the business. The enormous fire waste of the country, costing at present at the rate of more than \$125,000,000 per annum, and more than \$10,000,000 a month, would be materially increased but for the inspections and suggestions of insurance companies, enforced by higher rates charged to those property owners who are careless or indifferent as to fire; and would be materially decreased if legislative restrictions in various states did not prohibit the co-operation of insurance companies for so laudable a purpose directly in the interest of the community.

Some say that the great combinations do not want railroad discriminations, but that the small and struggling ones do.

The railroads are in general sympathy with the interstate law, but are deprived by its terms of the only means by which they can enforce its main principles. Some of the strongest trusts have consistently refused to accept cut rates, or become parties to, or beneficiaries of, any infraction of the interstate law.

The political and social effects of monopoly are far more menacing to society than its economic results. The great consolidations of capital are fast seizing the avenues of power that lead to the control of the government, and are seeking to rule the states and the nation, often through procured legislatures and corrupted officials. When the sugar trust controlled 98 per cent of

the production of the country it was idle to say that the remaining 2 per cent could offer any substantial competition. And the present tendency is for all these great organizations to draw closer and closer to the ideal of a perfect monopoly, though none of them has yet entirely reached it.

Should we not take monopoly out of the patent laws, while still securing the inventor some proper reward?

It is well that people are fast coming to look upon the workman as positively immoral who holds aloof from his fellows, and refuses to enter the union of his trade. With the arrival of the trust, the ideal if has become an organization, controlling the entire labor-force of the country, nothing less than a national syndicate of labor. Unless the labor trusts develop equally with trusts of capital, our civilization will soon come to a halt.

Why are trusts willing to accept government regulation by a commission? Because they see danger in public sentiment, and with the inefficiency of the Interstate Commerce Commission before them, choose the method most likely to hoodwink the people and bring the minimum of restraint upon themselves.—
GOVERNOR PINGREE.

If free trade opens the American market trust capital can take American machinery to the cheapest labor of the old world, and return the manufactured product to undersell the American producer.

PUBLIC CONFERENCES ON TRUSTS.

XI.

What popular assemblages have voiced the interest of the people in the trust question?

The Chicago Conference on Trusts, Sept. 13, 14, 15 and 16, 1899, the St. Louis Anti-Trust Conference of Governors and Attorneys General, Sept. 21, 1899; the National Anti-Trust Conference, Chicago, Feb. 12, 13 and 14, 1900, and a conference in New York City, Feb. 18.

How may these conferences be distinguished?

The St. Louis conference was a gathering of state officers who proposed certain legislative remedies. The Chicago conference of 1899, called by the Civic Federation of Chicago, was perhaps unique in history. It was deliberative, and refrained as a body from formal action on the problem. The Chicago conference of 1900—an avowed anti-trust conference—grew out of the conference conducted by the Civic Federation. The anti-trust conference—the former—adopted an address and platform.* The way had been further prepared for this conference by the organization in June, 1899, of the American Anti-Trust League, M. L. Lockwood, an oil producer, in Zelienople, Penn., president.

What did the conference of governors and attorneys general propose?

It proposed: (1) Adequate definition and provisions by state and nation for punishment for restraint of trade, both of individuals and corporations. (2) Particular state supervision of state corporations. (3) To place foreign and domestic corporations in a state on the same basis, and demanding that a corporation entering a state other than its own shall take out a license. (4) To exclude from all states corporations created in one state to do business exclusively in other states. (5) That no corporation shall be formed in whole or part by another corporation. (6) That no corporation shall hold stock in another doing similar or competitive business, and that no officer or director in one shall be such in another, when this double function tends to create monopoly. (7) "Recognizing that trusts are usually composed

*See "American Anti-Trust Journal," a Chicago periodical; and published report of Anti-Trust Conference.

of corporations, and that corporations are but creatures of the law and can only exist in the place of their creation, and cannot emigrate to another sovereignty without the consent of that sovereignty, and that this consent may be withheld, when desired, we recommend that each state pass laws providing that no corporation of any pool or trust in that state or elsewhere can do business in that state." (8) "All the capital stock of private corporations should be fully paid, either, first, in lawful money, or second, in property of the actual cash value of the amount of the capital stock; and in all private corporations with a capital stock issued in excess of the amount actually paid up the shareholders shall be liable to the extent of twice the face value of the stock held by each."

What were the essential declarations of the National Anti-Trust Conference, held in Chicago, Feb. 12, 13 and 14, 1900?

In its address the conference declared:

"We make no assault upon business combinations for diminishing productive cost or augmenting productive efficiency. The more easily wealth is produced and the more there is, the better for everybody—provided distribution be equitable. What we do attack is combinations for coercing producers and lessening production. It is such combinations that constitute the trust evil, and them we would abolish root and branch. The strength of the trust does not lie in a more perfect organization of producers and productive facilities for greater usefulness. It lies in a more intense concentration of monopoly privileges."

The address characterized the oppression exercised by the oil trust, beef trust, elevator trust, anthracite coal trust, bituminous coal trust, sugar trust, paper trust, "the majestic steel trust," and the prospective banking trust, "which would regulate the volume of paper money and dictate commercial discounts in the interests of all the great trusts; and to which bankers in general would sustain a similar relationship to that which grocers already bear to the oil trust and to the sugar trust."

"The fundamental remedy for the trust evil is the abolition of legalized privileges of every kind. By legalized privileges we mean powers derived from law, which some persons or classes enjoy to the exclusion of others, and which, therefore, create private monopolies. We must get back to the fundamental principle of the declaration of independence, the principle that all men are entitled to equal rights under the law. There must be no further legalized discrimination; and such as now exists, whether by virtue of laws regulating public policy or of those directly creating privileges, must be abrogated."

The Chicago Conference on Trusts was organized by Ralph M. Easley, Secretary of the Civic Federation of Chicago, and organizer of the National Civic Federation, an institution of the broadest scope, now forming.

The address named three legalized privileges for the opening attack: "First, the privilege created by tariffs for the protection of goods controlled by trusts; second, the privilege created by surrendering the money issuing function to private corporations; and third, the privileges created by telegraph and railway franchises."

The platform of the conference consisted of four resolutions: (1) That Congress at once establish the telegraph and telephone systems as adjuncts of the postoffice, paying just value when acquiring property by eminent domain or otherwise. (2) That private corporations be prevented acquiring control of the volume of the circulating medium, and creating a banking trust. (3) That Congress place on the free lists all articles the sale of which in the United States is controlled by a trust. (4) That Congress at once acquire and run, under a merit system of civil service, the interstate railways. The platform, finally, called for the adoption of the system known as direct legislation.

What was the object and constituency of the trust conference called by the Civic Federation of Chicago?

Its object was discussion only, seeking "light not heat." Its participants were appointed by the governors of the several states, and comprised representatives of state governments, colleges, professions, trades, business, agriculture and commercial associations. It assembled, as did its successor, in a large public hall, and its deliberations were matters of general interest. Not a little of the popular concern shown depended upon the fame of at least two of its debators and orators, W. J. Bryan and W. Bourke Cockran. The value of the conference was in the unrestricted expression of the followers of all schools of thought, and within such extended limits appeared reason and science at one pole, and intemperance and radicalism at the other. Not the least valuable contributions were scientific statements of the great proposition, with its related laws, by able and distinguished college professors.* Important statistics by experts were contributed, the necessity of railroad combination was defended; the interests of the iron and steel workers were rationally expounded by a delegate with hard hands; socialism, anarchism and single tax made their plea; the grievances of the farmer were explained,

The proceedings of the conference conducted by the Civic Federation and of the Anti-Trust Conference, have been printed, and are helpful guides to students of this problem. The report of the Chicago Conference on Trusts may be obtained of the Civic Federation of Chicago, First National Bank Building; that of the Anti-Trust Conference of Geo. S. Bowen & Son, 344 Unity Building.

Prof. Jeremiah W. Jenks, writing of the Chicago Conference on Trusts in the Political Science Quarterly for June, 1900: "It is questionable if a more widely representative economic gathering has ever met"

and so too, the relations to the problem of patent rights and protection. It may truly be said of this conference and so too of the conference that was explicitly anti-trust, that it stood for the most advanced thought of the American people, groping for the right side of a colossal question

What was the New York conference?

It was a conference conducted by the People's Institute, and held in Cooper Union, the first meeting being on Sunday evening, Feb. 18, 1900. At the opening meeting among the speakers were Edward Markham, President W. H. P. Faunce, of Brown University, and Prof. Charles Sprague Smith. Mr. Markham recited his poems, "The Man With the Hoe" and "The End of the Century." President Faunce discussed the duty of man to man, directing thought to the question what the man with the purse was doing for the man with the hoe. A letter from Rev. Dr. Heber Newton declared that though capital and labor were both organizing, capital was organizing faster than labor, and that unless labor mended its pace it would be at the mercy of capital more than ever. Dr. Newton censured a system which permitted a nation to be taxed that a company like the Carnegie Steel might earn \$40,000,000 or \$50,000,000 a year on a capital of \$25,000,000.

*Among these competent students of the social and economic elements of the trust problem were Prof. Henry C. Adams, University of Michigan, and Statistician Inter-state Commerce Commission; Prof. Edward W. Bemis, Bureau of Economic Research, New York, and formerly University of Chicago; Prof. John Graham Brooks, formerly of Harvard and now of University of Chicago; Prof. John Bates Clark, Columbia University; Prof. Jeremiah W. Jenks, Cornell University, and expert to the Industrial Commission; Prof. David Kinley, University of Illinois; Prof. A. E. Rogers, University of Maine; Prof. James R. Weaver, De Pauw University.

WHY TRUSTS GO TO NEW JERSEY.

XII

Where were most of the trusts of 1899 incorporated, with their authorized capitalization of three billion dollars?

In New Jersey.* This state by its corporation laws, offers special advantages to corporations seeking business in every state of the Union. West Virginia and Kentucky, however, offer special facilities, and Delaware has lately put out peculiar inducements for the creation of great combinations.

Has New Jersey passed any anti-trust laws?

No, it has been left to the courts, under the common law, to declare invalid contracts made against public policy and in restraint of trade. The question was considered a too difficult one in political economy to leave to a jury in a trial for conspiracy.

Under what law have the great trusts been incorporated?

Under a law, substantially unchanged, which has been in force since 1848. In 1875 the corporation laws were revised, and permission given to anybody to form corporations for any lawful purpose. The earlier acts contained a provision for filing statements every year of the condition of the companies, and their assets and liabilities, but this was omitted from the act of 1875. It was considered that the publication of such a statement might, under many circumstances, be disastrous to the business and that such a requirement would not be tolerated with respect to the business of individuals. Provision was, therefore, made that stockholders should have access at all reasonable times to the books of the company, and they were given power to make such regulations as they saw fit for the conduct of the business, but no obligation was laid upon the company to make known to the public or its rivals the precise condition of its affairs. In this respect, the policy of New Jersey differs from that of many other states. If, however, now that New Jersey corporations are affecting the industries of the entire nation, it is necessary to protect the public

*Condensed from an address of Edward Q. Keasbey, of the New Jersey bar, before the Chicago Conference on Trusts.

in regulation of New Jersey's corporations that state is willing to co-operate with her sister states in reform of her laws.

What further characterizes the New Jersey law?

No public notice of intention to form a corporation need be given. No limit is placed on the amount of the capital stock. No petition need be made for leave to incorporate. On the franchise of corporations of certain classes an annual tax is laid.

Where may be the offices of foreign corporations?

The offices may be outside of New Jersey, and the books, except the stock and transfer books, may be kept outside, on condition, however, that a principal office with an agent shall always be kept in New Jersey.

What particular provision in the New Jersey law seems to invite trusts to that state?

The provision that a New Jersey corporation may buy and sell the stocks and bonds of another corporation as an individual may do. This act was passed in 1893, a year after a similar act was passed in New York. Some of the largest trusts came to New Jersey from New York before 1892. Another important feature of the laws of New Jersey, in view of the present tendency to the undue inflation of capital, is the fact that stock may be issued for property purchased and that in the absence of fraud in the actual transaction the judgment of the directors is accepted as conclusive.

How, then, does the policy of New Jersey and her sister states differ?

"The chief points of difference in actual policy between New Jersey and a majority of the states relate to the supervision of the business in the interest of the public, and the modes and extent of taxation. On both of these points the policy of New Jersey was established many years ago, and it was not until the opposite policy in other states had been carried so far as to become oppressive that persons began to seek the benefit of organization under the laws of New Jersey. The chief characteristic of this policy is that it is a policy of encouraging rather than discouraging the aggregation of capital. Another important fact in determining the choice of the domicile of a corporation is the permanence or stability of the legislative and judicial policy of the state. Few changes have been made in the statutes of New Jersey during a long period. The decisions of the courts also have been consistent and uniform. Perhaps, the convenient situation of New Jersey between two great cities may be the real reason why many corporations come to her instead of to other states having a similar policy."

How further may the corporation laws of New Jersey be characterized?

"Since 1873 it has been the announced and settled policy of the state of New Jersey to attract incorporated capital to the state, by the enactment of laws first wise and then liberal, and by like legislation to protect capital thus invested against attacks from within and without. The legislature, irrespective of party, has never hesitated to pass promptly any law which tended to improve the general scheme of incorporation.

"The revision of 1896 was intended to meet the modern tendency of business concerns to incorporate. It recognizes the commercial need for a system of organization of private companies, as distinguished from quasi-public corporations, whose salient features are simplicity of organization and management, freedom from publicity in the private affairs of the company, and facility of dissolution without recourse to judicial proceedings.

"The amendments of 1897 were pronounced in their individuality, and made it apparent that the state of New Jersey would by prompt and remedial legislation protect her corporations, stockholders and incorporators from attack, confining, as far as practicable, all questions of construction of New Jersey corporation laws, so far as they affected the officers and incorporators of any company, to the courts of New Jersey.

What are the characteristics of New Jersey's new corporation laws?

"The laws of 1898 have three characteristics: they are restrictive, protective, remedial.

They are restrictive, being "intended as a terror to the fraudulent promoter and the tramp corporation, and calculated to deter bubble organizations from claiming the state of New Jersey as their place of residence. They compel every corporation from inception to dissolution to maintain a registered office in the state of New Jersey, with an agent in charge upon whom processes may be served and to whom stockholders and creditors may go for information as to the personnel of the company, its assets and property. This registration of the office and the name of the agent is required to be made in every certificate, statement or report, filed or published."

They are protective, because having established a registered office where officers, stockholders and creditors may obtain information, "the law closes this information to the tax gatherers of other states, and to outsiders, by making it unnecessary in the public statements made and filed to give any other address of officers and stockholders than this registered office."

*From prefaces of first and second editions of "Dill on New Jersey Corporations." (James B. Dill, counselor-at-law, New York.)

"They are remedial, because by an act passed the previous year the power was given the state board of assessors to modify the taxes of any corporation, and by an act passed this year it was left to the discretion of the governor and the attorney general to remit the taxes of any corporation whose charter had been forfeited by reason of non-payment, and to restore the corporation to its powers and franchises upon payment of such sum as to the governor and attorney general should seem proper, not less, however, than the initial charge for incorporation."

What are the powers granted by a New Jersey charter?

Important power is given to incorporators in the certificate of incorporation. "Within certain clearly defined limits incorporators may obtain what is practically equivalent to a special act of the legislature."

"All corporations do not possess equal powers because incorporated under the same act. The extent of their powers and privileges is largely dependent upon the certificate of incorporation. "The liability of officers and directors is clearly defined and can result only from the making of a statement known to them to be false at the time it was made. The law of the state of New Jersey is singularly free from pitfalls and ambiguities leading to personal liability of stockholders, officers and directors, and stockholders and officers obtain in the fullest sense limited liability.

"With respect to the issuance of stock for property purchased, New Jersey has avoided the danger which the laws of many other states have enacted for holders of such stock. It has eliminated the question of the value of property for which stock is issued, standing by itself, and with the single exception of cases in which there is absolute fraud on the part of the directors there is no liability upon the holders of stock issued for property purchased."

How did New Jersey amend her corporation laws in the legislative session of 1900?

Important changes were made affecting the annual report to the secretary of the state of New Jersey by a corporation's officers and directors, changes similar to those proposed by the New York Business Companies act, not yet a law. Under New Jersey's amended law, regarding the annual statement, the date of election or appointment of the directors and officers of corporations is not required; the amounts of authorized and issued capital must be stated; the date appointed for the next annual meeting must be stated; the report must be filed whether the meeting was held or not; the report must state whether the corporation has displayed a sign at its registered office and kept a transfer and stock book there. Furthermore, it is provided that if a corporation fails to fill this annual statement it shall not only pay a fine of \$200, but the individual directors are made

ineligible for office at the next annual meeting and for a year thereafter. No certificate is now required to be issued by the secretary of state on filing the report.

The general purposes of these amendments are, first, to make public record of the time of annual meetings, so that stockholders may not altogether be forced to rely on notices sent out by the company. Second, to require the amount of capital issued and outstanding to be reported each year for the information of the state board of assessors and the stockholders. Third, to draw the line more sharply between corporations which have a registered office in the state, and tramp corporations whose only relation to the state is that they have filed certificates of incorporation.

A certain young lawyer from a country town asked the editor of a Chicago financial journal what the method of organizing a trust is. The lawyer had his clients waiting, but held but vague notions of the processes of organization. Information of this kind may be found in a new book entitled, "The Law of Promoters and the Promotion of Corporations," by Arthur M. Alger.

See Appendix for reflections upon New Jersey corporation law by Lexow committee on investigation of trusts.

TRUST COMPANIES.

XIII.

What is a trust company?

It is an organization, with banking powers and more than banking powers, authorized to execute offices of trust—a trustee in corporate form. It is conducted by financial and legal talent of high order, and may receive, loan and invest large sums of money. It is qualified, in resources, to finance commercial and industrial undertakings, of great magnitude. It should not be confused with the trade combinations known as “trusts,” nor with corporations that may carelessly be called “trust companies.”

How has the growth of trust companies affected the employment and income of lawyers?

It has affected the fortunes of the legal profession as combination in production and distribution has affected the business manager and the commercial traveler. The trust company has appropriated some of the ancient functions of the lawyer, and temporarily he may be the worse for it.

What is noteworthy about trust companies?

The wonderful growth of their business and resources. In some cases they have even discouraged deposits.

Do they pay interest on deposits?

Yes, from 1 to 5 per cent.

What accounts for their striking growth when money is cheap?

In view of the drop in interest rates to such a low level it should be said in explanation of the growth of these trust companies that money lending is by no means their chief function. “They act in various capacities which yield them an income, and the freedom from restrictions which they possess enables them to engage and finance undertakings where command of large sums of money is not only a positive advantage but an absolute necessity. This will explain why these new companies find it possible to pay interest to their depositors when money is so cheap, and yet make a profit on their business from year to year. For the fact that they are doing a remunerative business is evidenced by their in-

creasing strength, the large dividends they are able to maintain, and the high figures ruling in the market for their shares."—*Chronicle*, Aug. 6, 1898.

Where are the great companies mostly located?
In New York.

What were their aggregate resources, as reported up to Jan. 1, 1899?

Five hundred and seventy-nine million, two hundred and five thousand, four hundred and forty-two dollars.

What were they, say, on Jan. 1, 1891?

Two hundred and eighty million, six hundred and eighty-eight thousand, seven hundred and sixty-nine dollars.

What was their growth in 1897 and 1898?

A total of \$182,500,000.

What have these companies in deposits?

On Jan. 1, 1899, they had \$467,184,258 in deposits, \$283,402,821 loaned on collateral, \$136,561,066 in stock investments, \$29,930,375 loaned on personal security, \$34,855,023 in bonds and mortgages, \$71,734,620 in cash on hand and deposit. These companies do not invest much in bonds or real estate mortgages.

What are the names of some of the great companies, and how did their deposits increase in 1897 and 1898?

Farmers' Loan and Trust, from \$28,351,589 to \$44,875,058; Central Trust, from \$25,240,756 to \$45,978,281; Guaranty Trust, from \$11,988,162 to \$22,614,428; Mercantile Trust, from \$29,791,653 to \$38,394,667; Metropolitan Trust, from \$8,593,804 to \$15,696,706; Union Trust, from \$31,766,333 to \$36,859,173; United States Trust, from \$35,970,129 to \$44,684,041.

But between July, 1899, and January, 1900, the deposits of the New York trust companies shrank \$71,000,000. Capital expanded \$24,000,000. Banks suffered similarly. Trade was active and profitable and depositors drew out money. The resources of six of them were, on Jan. 1, 1900, as follows: Farmers', \$48,238,402; Central, 54,674,954; Mercantile, \$48,286,259; New York Life, \$30,598,152; Union, \$44,445,173; United States, \$64,302,289.

How are these great companies capitalized?

Very low. None of the six last mentioned have capital stock exceeding \$2,000,000; but their earnings make this limited stock extremely valuable. Typical quotations—prices asked—are these: Central, 2125, on par value of 100; Mercantile, 800; New York Life, 1450; Union, 1425; United States, 1630; Farmers, par 25, 1425.

Large companies doing a trust as well as a banking business are the Illinois Trust & Savings, of Chicago; resources, \$65,-

658,889; savings deposit, subject to notice, \$26,617,060; individual, subject to check, \$25,096,200; value of stock over 700. Merchants' Loan & Trust, Chicago; resources, \$24,738,795; deposits, \$20,961,878; capital, \$2,000,000. The capital and surplus of the Illinois Trust and Savings amount to \$6,000,000. Large Boston companies are the New England Trust, deposits \$18,022,908; Old Colony Trust, deposits, \$18,859,619.

Daily paper, July 14, 1900: "The statement of the operations of the nineteen trust companies of New York and Brooklyn for the six months ending June 30, 1900, shows that their point assets and liabilities are \$346,293,356. The two largest trust companies are the Central Trust Company of New York, with assets of \$59,968,634, and the Union Trust Company, with assets of \$59,437,743. The total deposits on demand are \$87,174,063, and the total of general deposits payable on demand is \$199,926,847. The total cash reported on hand is \$5,751,513, and the cash on deposit in banks is reported at \$53,917,352."

TRUST STOCKS OR INDUSTRIALS.

XIV.

What seem to be the essential causes of the increasing organization of capital in the United States into great trust units?

First, the economy of combination. Second, the prospect and fulfillment of the establishment of the great trading nations' standard of value. Third, the declaration of the supreme court, January, 1895, that the anti-trust act of 1890 was ineffective for the purpose sought. Fourth, the perpetuation of a home market and the expansion of a foreign by a protective tariff.

What is Wall street?

A New York thoroughfare of a few blocks running from Broadway to the salt river separating New York City from Long Island. Its district contains the Stock Exchange, the Sub-Treasury, the Custom-house, bankers and brokers offices, and other busy people in general.

What further is it?

Its name stands for New York City as the financial center of the American continent, and, perhaps, in the minds of some, for the last dollar that can be turned over in the smallest bank in the poorest state of the nation.

What is the "street"?

The place where, but particularly the people, who borrow and lend in our commercial cities.

Are all trust stocks offered for sale in open market in New York, Chicago, Boston, Philadelphia and other cities?

No, the majority receive their early publicity in the announcement of the incorporation and capitalization of their companies; thereafter, if these companies start in business and avoid labor and financial troubles, we hear little of them. Their stocks may not be listed in the stock exchanges of the country, and their

Career of industrials as speculative properties condensed from "Wall Street Journal," "Bradstreet's," "Economist" (London); "Commercial and Financial Chronicle" (New York); "Economist" (Chicago).

welfare becomes no more a matter of general knowledge than that of a small corporation or partnership.

But the great combinations—

They have sought the money of the general public by being listed as stock exchange securities—as preferred stock, common stock and bonds. The trusts are not generally bonded. If only one stock draws interest it is likely to be the preferred; but both may draw interest. The American Steel and Wire this year pays 7 per cent on each class. The American Bell Telephone pays 15 per cent on its common; the Western Union Telegraph 5 per cent on its common; the Standard Oil 30 per cent on its common. None of these last three companies has any preferred stock.

What was the natural result of the introduction of trust stocks upon the stock exchanges?

Extensive speculation. Before the close of 1898 the common stock of some industrials, unknown three months before, rose 20 to 25 points. In 1898 new companies came into prominence having an authorized capital stock of \$873,263,000.

What was the authorized capitalization of the new trusts incorporated in 1899?

Over three and one-half billion dollars. Incorporation was

"The year was distinguished even beyond any preceding one by the formation of what are popularly called trusts, which term is applied to almost every form of combination among industrial and mercantile enterprises. Estimates of the aggregate capitalization of these concerns runs as high as ten thousand million dollars, and almost every month sees additions to their ranks. It is scarcely possible to mention any interest save the agricultural into which this principle has not entered. Among the railroads it was adopted long ago, and much progress has been made already in the direction of laying out the whole country in a few systems of roads, the separate concerns being brought together by common ownership of the stock, by lease or by traffic arrangement. The Vanderbilts are conspicuous in this movement, having affiliated with the New York Central road, the Michigan Central and other lines, and now being in negotiation for the Boston & Albany. The Federal Steel Company, which is made up of several concerns, is a good illustration of what is being done in the iron industry. Nearly \$1,000,000,000 of capitalization is represented by the various combinations in that line. Among the notable creations of this year is the American Woolen Company, with \$20,000,000 preferred and \$20,000,000 common stock, and \$10,000,000 working capital, taking in the most important manufactories of woolen stock in the United States. A negotiation is in progress for the purchase and combination of the Fall River print cloth mills. In the paper industry there is a combination covering newspaper and another writing paper. The conversion of the Standard Oil trust into the Standard Oil Company, incorporated in New Jersey, and designed to evade the state and federal anti-trust laws, is nearly completed. The contest between the American Sugar Refining Company on the one side and the Arbuckles and Doeschers on the other, is still in progress."—"Economist" (Chicago), Dec. 30, 1899.

checked in the latter half of 1899 by growing firmness of the money market and other causes.

How may the speculative qualities of industrials be shown?

Whereas 500,000 shares would be called a large daily business on the New York Exchange, in one week in January, 1899, the presence of industrials on the list swelled business to more than 7,200,000 shares.

Did this rage for the industrials continue unabated?

It was checked to some extent during the year. Mr. Gage, secretary of the treasury, and Senator Depew, in speeches at a New York banquet, warned the "street" and the public that speculation in the industrials might be overdone. London, too, had these warnings in the New York correspondence of the "Economist," February, 1899: "Sooner or later, these stocks, or a large proportion of them, will work their way back into Wall Street, when it will be time to step from under. The tendency in this mad rush to capitalize individual and corporate industrial plants, grouping them by industries, is to overestimate their values, present and prospective, one result of which will be to make the preferred stocks desirable, but to reduce common shares to the value of counters only, and as qualifying for electing officers. The general public is very largely interested at present in discussing whether these big industrial combinations are economically desirable."

Again, New York correspondence London "Economist," March, 1899: "There does not appear to be any cessation to the incorporation of huge industrial companies, and even the most daring brokers in the "street" are beginning to look upon the newly created properties with some suspicion. The ultimate buyer of many of these securities will probably have to look for

Trade in leading industrials, on the New York Stock Exchange, in 1899:

American Sugar Refining, shares (common)	12,842,097
American Tobacco, shares (common)	5,553,718
Federal Steel, shares (common)	6,721,683
American Steel & Wire (common)	4,665,333
United States Leather, shares (common)	3,886,767
Tennessee Coal and Iron, shares (common)	2,657,079
People's Gas, shares (common)	3,566,422

Total shares, 1899, 176,421,135; average price, 78.6; approximate value, \$13,429,291,715; par value, \$17,093,960,225.

Trade in leading industrials on the New York Stock Exchange between January 1 and June 30, 1900:

American Steel and Wire, common, shares, 2,163,052; price, April 2, 59½; May 24, 33.

American Sugar Refining, 8,574,958; price, January 4, 137½; March 3, 95¼. Dividend of 12 per cent, paid since 1893, cut to 6 per cent.

American Tobacco, 2,619,977; price, February 14, 111½; May 18, 85½.

Federal Steel, 1,478,900; price, February 6, 57¾; May 24, 33.

People's Gas, 1,551,871; price March 9, 92; April 2, 111½.

loss. The present holder, in almost all instances, regards himself as on the inside, and looks for higher prices through manipulation, or as a result of the present exceptionally prosperous year on which he expects or hopes to unload. One of the features of weakness in this class of securities is naturally found in the absence of regular and full financial reports of their operations.* American railway accounts are published with regularity and great detail; but the new industrials, with some honorable exceptions, do not follow this rule, and there is not likely to be any general radical improvement until after the outsider has been so severely bitten as to create a public sentiment demanding a change which cannot well be ignored."

What was a conservative view of the situation, taken at home?

One view was that the mere multiplication of new securities, traded in on the regular exchange, and on the "curb," would so glut the public appetite for investment and speculation that it would be surfeited by magnitude and variety. It was thought, too, that the size of promoters' profits would be a warning that some companies were not organized on conservative principles. There was a favorable sign, too, in growing public scrutiny of the charters of the new industrials, with respect to the powers and rights conferred upon directors and officers. The ordinary form of charter seemed to be inadequate to the new kind of

"Bradstreet's," June 2, 1900: The American Tobacco Company and its auxiliary, the Continental Tobacco Company, will issue a quarterly statement of earnings. They began March 31.

"Bradstreet's," April, 1899: "After the severe analytical discussion of the intrinsic value of many of the newly created industrial securities which has engaged the attention of the stock exchange and of Wall street generally for the past month or so, a number of the more important brokerage houses are quietly, but firmly, doing much to discourage rampant trading in such shares. Many of these securities are capitalized so far beyond their intrinsic value that they are hardly worthy the name of securities at present current quotations."

"Bradstreet's," April 14, 1900:

A large proportion of trusts have now finished their first corporate year. It cannot be said their managers are fulfilling expectations with full and satisfactory annual reports. Instances are scanty where anything else than a bare skeleton of the net profits of the organization with a condensed balance sheet. Their habits are about the same as those of trusts before 1899. "The recent pronounced weakness in the common stock of the industrials, as a group, seem to be largely due to this cause, to the policy of limited disclosures. Speculative imagination has been fed for a year past with the ideas that the annual reports of the new industries, as a class, would exhibit enormous earnings and large surpluses over the dividends paid on their preferred shares. Thus far with some exceptions the reports, or what pass for reports, of these organizations, have not fully borne out these expectations, and the meager character of some of the showings seems to invite a feeling of suspicion on the part of speculative interest, which has had its effect on the demand for industrial shares and on their market quotations."

companies. Hence, many of the new companies took out charters which, while conferring practically unlimited powers upon the officers and directors in respect to the conduct of the business itself, embodied many restrictions, both as to the ability of the management to create debts or liens upon the property, and to dispose of net profits to the detriment of the rights of preferred shareholders, or in other ways to manipulate the finances of the organization upon lines that experience has shown to be detrimental to the interest of investors in their securities.

In what other way did the "street" protect itself in this steady flotation of new and untried securities?

The enormous increase of the stock of industrial corporations traded in led the commission houses to adopt special rules for this business. Whereas a purchaser, on margin, of standard railroad stocks is required to deposit in cash 10 per cent of the par value of the property, the remainder being borrowed for him by the commission house, the purchaser of an industrial stock was required to deposit 25 per cent and sometimes 50 of the market value of the stock, according to the kind of security and the broker's facilities for borrowing on it. Again if an industrial had no standing as collateral, most commission houses declined to accept margin orders, while others did so under special arrangements.

What other protection against blind speculation in industrials was set up?

It had been long recognized that a great danger in the industrial company movement was the want of explicit information about industrial corporations, thereby investment and speculation in their securities being conducted on a basis of mystery or stock-jobbing rumors. Accordingly after a slump in industrials the stock exchange amended its rules so that an industrial corporation that wished to have its securities admitted to quotation should make full showing of its organization, component parts, earnings for last two years, certified by reputable public accountants and, above all, full and proper annual reports. Another important provision was that the rights and privileges of the

Condensed from Chicago "Economist," March 10, 1900: Industrials have nearly counted themselves out of the category of general investments. It was once prophesied that time would place them beside railroad stocks in point of solidity and respectability; but the idea seemingly must be given up. They should be on a basis of 7 to 12 per cent as compared with 4 or 5 per cent for a railroad stock. For instance, American Sugar Refining stock has paid 12 per cent for many years, but through competitions its profits have been reduced so that only 1½ per cent has been declared for the current quarter. People's Gas, with something approaching a monopoly, and paying 6 per cent for many years, has tumbled from 129½ into the nineties. The whole history of industrials in Chicago is one of disappointment and disaster.

directors should be set forth, in detail, thus furnishing the public with definite knowledge as to the extent to which the management might deal with properties irrespective of the rights of holders of their securities.

How were the great earnings of the industrials regarded in financial circles?

It is short-sighted to argue monopoly from the fact that some of the trusts report earnings of 15 per cent or more the past year (1899). Nobody supposes the railroads have forced up the market for their services, and yet the Chicago, Milwaukee & St. Paul earned in 1889 above all expenses 9 per cent, as against 2½ in 1889; and the Chicago, Burlington & Quincy earned 7 per cent, as against a deficit of half a million in 1888. The case of the industrials is peculiar only because our observations have been confined to a year of the highest recorded activity in trade. The first year of the history of the iron combinations was marked by a virtual doubling of the price for this product—an enhancement of values, moreover, which arose from no corner or monopoly, demand having simply expanded so suddenly as to outstrip wholly capacity for quick production. It is unreasonable to take an exceptional year for a basis, and to reason from it as to the normal earning possibilities of combinations. There were no trusts in 1879 and 1880, but a similar chapter of events in the iron trade may be recalled. But 1880 did not fix the rule for 1896. Is it not likely that hundreds of mercantile firms are now making a percentage of profit as great as the industrials? But they do not grant the profits abnormal, when they remember the depression of 1893 and 1894, and of the capital they then drew upon.—Condensed from the "Chronicle."

How have financiers generalized on the financial problem in industrial expansion?

In substance this is one expression, the author being the "Chronicle": Before 1896 fear of change in the standard of values had year by year checked enterprise. Even good crops and good prices in that year worked no material change. The new cycle came in

Chicago "Tribune," April 19, 1900: "In response to inquiries whether the action of American Steel and Wire stock during the last few days would lead to severer discrimination against industrials as a whole, bankers replied yesterday that, while it probably would result in more careful selection of the stocks offered as collateral for loans, it would not lead to discrimination against all. One of the most prominent bankers, whose institution makes loans on this class of collateral, said that it was difficult to lay down any fixed rule about industrials, as they varied so greatly in worth. The standing of the borrower also enters into consideration in loaning on them. The bankers said, however, that margins of 25 to 30 per cent were asked in the case of the majority of the preferred stocks. Common stocks are not taken by some of the banks, except as they may add slight additional security where the margin is already fair."

with the presidential election of 1896 and the congressional elections of 1898, when the gold standard became assured. Since then good crops, good prices, favorable foreign market and accumulating gold have become the elements of good times. Under such stimulus the industries of the nation sprang into new life. For several years preceding this new era there had been almost no industrial expansion. It had been a period of forced economy in expenditures and methods, a period in which we were recuperating and saving while awaiting an expected catastrophe—a 50 per cent drop in our standard of values.

Our revolutionary experiment in trade has been thus far too brief for conclusions; but we have discovered that the field of available investments has not widened along with our new supplies of capital. Hitherto railroad building has given a ready outlet for our surplus, but this branch of investment not only has not increased with the current increase of available capital, but it has absolutely decreased. In 1882, a prosperous investment year, we laid 11,569 miles of railroad; in 1887, 12,878; in 1898, barely 3,000 miles. Hence prices in railway securities have reached such figures as to give the narrowest margin of return to investors, for the new demand has increased, but the new supply has decreased. To avail themselves of this situation the promoters of industrial combinations are rushing their shares upon the market, and it is not remarkable that prices for such shares have advanced. But a wise foresight may see elements of danger in such a situation. "The very uncertainty of earning power, and the very ignorance of week to week conditions, which tempt the speculative investor to buy shares of such properties while the entire financial prospect is pleasing will send his holdings back upon the open market at an occasion of reverse." The danger lies in outside capital placing its money indiscriminately during a period of rising prices in enterprises whose current profits and actual assets are practically unknown to it. Financial history records no episode of this kind which has escaped the penalty.

How are the great industrial corporations striving for independence in production, and how may this policy affect the investor?

"Each of the great iron and steel combinations is steadily at work trying to make itself absolutely independent of its possible competitors in its supply of ore and fuel and in its control of lake transportation. Scarcely a day passes without news of the acquisition by one or more of them of ore beds, coal mines, coke ovens and blast furnaces, or of the placing of contracts for the construction of vessels on the lakes. It is admitted that present earnings are enormous. The most sanguine promoters of the combinations did not dare a year ago to base their estimates of possible profits upon any such prices for pig iron and

steel as have prevailed for the past three months, and seem to be assured for the next twelve months, so far as it is at all possible to assure the future price of anything. These combinations, in the effort to become absolutely independent and self-sufficient, are spending large sums of money for the purpose named. The propriety of such investments is not questioned, but it is a matter of considerable importance to stockholders at present to know whether payments on these accounts are taken out of current earnings, because if they are all estimates of the amount to be distributed in dividends on common stock may have to be revised. There is also another consideration which pertains to the future. While the measures being taken to secure independence in the supply of raw materials make these corporations very strong now, when there is no competition between them, and the question with consumers is not one of prices but of securing early delivery of goods, each of them is putting itself in a position where, when the consuming demand falls off, it will be able to

Manufacturing establishments are sometimes embarrassed by the difficulty of securing a proper supply of raw material at the exact time when it is needed, and in proper quantities and qualities. On the other hand, miners and producers of raw material are also frequently embarrassed in finding a sure market for their product. In consequence many combinations like the Federal Steel Company have been made, not of those who are competitors in the same line of manufacture, but rather between the producers of raw material and the manufacturers of the finished product, in order that these requirements of demand and supply may be readily met, and the course of production from the raw material through to the highest finished product may be carried on without delay or unnecessary friction.—“The Trust Problem,” by Prof. J. W. Jenks.

Chicago *Daily News*, April 20, 1900: “Many impartial and competent observers have honestly feared that popular distrust and hatred of combinations would run into blind excesses of restrictive legislation, which would not only fail of the object aimed at, but seriously embarrass legitimate industry. It is the Steel and Wire crowd, and not the Texas populist, that confounds this conservative opinion. When it is almost universally believed that a half-dozen men, temporarily controlling an important staple industry, will suddenly shut down the mills, throwing thousands out of employment and affecting seriously the interests of tens of thousands of consumers, simply to make a coup in Wall street, there can scarcely be any further argument against legislative restrictions upon the unlimited powers of the directors of great corporations. If hundreds of other corporations are embarrassed thereby they need not blame the Populists. They can blame the trust management which gave the Populists their opportunity.”

“Economist” (Chicago) April 21, 1900: “An effort is now being made to have the shares of the American Wire and Steel Company listed on the London stock exchange. This week’s events will hardly be a good introduction of the stranger knocking at the gates of that institution. The London *Financial Times* has a long article warning English investors against an effort which it says is now being made to introduce American industrial shares on the London and other European markets. The *Financial Times* quotes from a recent editorial of the *Economist*, which set forth the many disappointments which have occurred in the floating of industrial concerns in this country, and presented certain conditions necessary to

compete with each or any of the others in what is now its specialty. In the words of an authority in the trade, 'Each of them has a knife up its sleeve for the others.'—"Wall Street Journal," November, 1899.

make them fairly safe. The *Financial Times* calls attention to the overcapitalization of these companies, and says it is very natural that Americans should wish to get rid of a portion of their load, but declares that, if an American needs to be so careful in his selection, an Englishman stands positively no chance at all. There is much more reason in these utterances of the *Financial Times* than in many of its attacks on our affairs. The American Steel and Wire is one of the big concerns, but its latest move will frighten away careful men, and it is not likely to win many friends abroad. Nor is it to the advantage of this country that securities in which the publican cannot have confidence should be offered in London. Our record there in the line of railroad issues is not all that could be desired, and we should not further injure our reputation by offering securities on which the English will turn their backs."

High prices in iron and steel, as well as the great strike in the building trades in Chicago, contributed to an abatement in demand for these products, in the spring of 1900. Moreover, the indiscretion of the chairman of the board of directors of the American Wire and Steel Company, in abruptly instead of gradually closing a dozen mills, and the indignation and apprehension excited by his policy among the trade and investors at large, caused a great shrinkage in metal stocks. This shrinkage, since January 1, 1900, was shown in the *Chicago Tribune* of May 25, to be as follows:

	Capital.	High point this year.	Net decline.	Shrinkage.
Am. Steel Hoop Com.....	\$19,000,000	50½	30¾	\$5,771,250
Do pref'd	14,000	86	16½	2,310,000
Am. Steel & Wire Com..	50,000,000	59¾	26	15,000,000
Do pref'd	40,000,000	95	21	8,400,000
Am. Tinplate Com.....	30,000,000	36¾	13¾	4,162,500
Do pref'd	20,000,000	84¼	9¼	1,850,000
Fed. Steel Com.....	46,484,300	57¾	23¾	11,098,126
Do pref'd	53,260,000	77½	11	5,858,600
Nat. Steel Com.....	32,000,000	53½	24¾	7,920,000
Do pref'd	27,000,000	97	10	2,700,000
Rep. Iron & Steel Com..	30,000,000	27½	13	3,900,000
Do pref'd	25,000,000	70¾	14½	3,625,000
Totals	\$386,744,300			\$72,595,476

Bradstreet's weekly trade review, July 13, 1900: "The effort of the big iron and steel concerns to control prices, if really made, has proved abortive, and another wholesale slashing of quotations is to be reported this week."

Bradstreet's weekly review of trade, July 28, 1900: "Unfavorable elements in trade probably find their chief and greatest exposition in the iron and steel business. That industry is, if possible, more depressed than at any time for three years past, and expectations that price declines would be checked by the arrival of finished material at a cost basis have been disappointed, because this week steel bars have been sold in some instances at one cent per pound, which is unquestionably below the basis of cost of raw materials and manufacture."

INDUSTRIALS AS INVESTMENT FOR SMALL CAPITAL.

XV.

When a combination is organized not for the ultimate good of itself and its industry for whom is it organized?

For the promoter and financier, whose work often appears in watered stock and overcapitalization.

Why is an industrial not always recognized as the best bank collateral?

Because in the excessive stock issue is the promoter's reward, and such inflation is artificial and untrustworthy.

What is the difference between a false and true industrial?

The true industrial does not always pay dividends on its common stock. It frequently uses earnings to make good the capital stock issued for good will or other intangible property. It substantiates its stocks, squeezing out water if there be such. It creates a financial reserve, a surplus. The true industrial withdraws its stocks from speculation in the market, seeking to make them investment securities, therefore permanent rather than fluctuating in value. The gambler and the merchant are different people. If a man or a board shuts down works to influence the price of stocks, operating more in Wall street than in the field of industry, such men are gamblers and do not conduct a true industrial. They are enemies to every honest combination of capital.

What brings out the false industrials?

A popular demand for a gambling specialty.

What are some earmarks of false industrials?

When the charter says the stockholders may not examine the books of the company except as granted by statute, look sharp. When the charter provides for a classification of directors, with a majority elected for a maximum term of years, the stockholders having no chance to change the board, again look sharp, for here may be entrenched promoters and financiers who can resist investigation or displacement.

What part does personal character play in the management of corporations?

Business character and personal character must in the long run coincide. The gambler will finally ruin his corporation or himself, or both. The standard of corporate morality is rising.

How may panics be confined to promoters?

Let the public examine first and invest afterward. Give to an industrial the same scrutiny you would to a real estate security. Demand an examination of the certificate of incorporation or charter, and the by-laws, for upon these depend the stock; and also demand an accurate financial statement.

What is the popular want?

Interest bearing investments in small denominations. The laboring man wants stocks that are truly an investment, stocks that at 6 per cent take the place of the savings bank at 3 per cent, stocks of corporations of which the laboring man is a part. If he holds stock in place of real estate he may move as suits his interest. Such true industrials become, too, the refuge of the merchant whom combination has displaced from his smaller and independent business. The true desideratum is the good of the many, and the industrial conducted for the small capitalist will be a legitimate industrial.

"It seems true that any tendency in any corporation to have two interests in the business equally important and equally engrossing the attention of the officers, the one the business end of the corporation, and the other the speculative, or Wall street end, is a tendency which may be, with emphasis, pronounced dangerous; dangerous to the corporation itself, as exposing it to attacks from sources other than those of the business itself; dangerous to the officers of the corporation, as tending to take their attention from the one and only end and purpose of the corporation, viz., the betterment of the industry in hand; dangerous to the stockholders, as furnishing them a false and unwarranted indication of the progress, or, as the case may be, the failure of the business itself."

"The main question today is not whether the washwoman buys her small quantity of kerosene at 8 cents instead of 6 cents a gallon, the wholesale price, but rather whether the public as a whole are benefited by combinations of industrial capital and benefited,

"The speculative element in the so-called 'industrials' will have a tendency to disappear, as in the case of the railroad systems; and it may be expected that there will come about a gradual diffusion of ownership in these great enterprises through the investment of the savings of the people in their stocks and securities, quite as in France, where the real owners of most great undertakings are working people and small investors."—*American Monthly Review of Reviews* (ALBERT SHAW, Editor).

not only as consumers, not only as producers, but what is the finality of the question as widely distributed investors of capital.”*

*Condensed from address by James B. Dill at the fourth annual meeting of the American Academy of Political and Social Science, Philadelphia, April 20, 1900. Mr. Dill is a New York lawyer, well versed in corporation history, author of the charters of several great trusts, author of “Dill on New Jersey Corporations,” and has enjoyed the distinction of harmonizing the late conflicting interests of Andrew Carnegie and Henry C. Frick.

Chicago *Inter Ocean*, June 25, 1900: “Observers of the growth of exports of American manufactured products must notice in the development of the so-called trusts within the last two years a far-reaching influence other than that which has appeared on the surface in stock promotions. When it is realized that \$3,000,000,000 of new securities have been issued in connection with these promotions, it will be understood that interest in manufactures has thereby been extended to an extraordinary degree. From private ownership the great industries of the country have been transferred to public ownership. In consequence, whereas four years ago ten persons might be directly interested in a manufacturing plant, probably 150 are now equally interested. What is true of an individual plant applies to an entire industry, as relates to ownership.

“The listing of \$3,000,000,000 of securities on the stock exchanges of the country has distributed these shares almost universally in the territory between the Mississippi and the Atlantic seaboard. Farther west and south the shares are also distributed, but the holders of industrial stocks are mainly in the eastern half of the country.

“This distribution of ownership naturally leads to a more acute interest on the part of thinking and business men toward the possibilities of manufacturing. It develops the commercial intelligence of the nation and it must ultimately lead to commercial world supremacy. As combinations of capital result in cheaper and superior methods of production, and as in consequence foreign markets are invaded, there must also follow a development in American ship building and a world-wide merchant marine.

“The distribution of the capital stock of these so-called trusts will have a further enlightening effect on legislative action. It is probable that there will presently be five congressmen intelligent on the subject of trade where there was one four years ago. An increase of 500 per cent in commercial intelligence in Congress cannot fail to be reflected in legislation.

“As the importance of the result of so-called trust development becomes better appreciated, less will be heard of the chatter anent propositions whose merits are not understood. The discussion of the trust as now conducted will then be relegated to that practical and broadly intellectual class who seriously discuss the question of whether life is worth living.”

THEATRICAL TRUSTS.

XVI.

What are theatrical trusts?

Combinations of theater managers.

What are the two theatrical trusts in the United States?

One is a syndicate of leading theaters in leading cities, and one is a combination of the vaudeville and variety houses, known as the Association of Vaudeville Managers of the United States. The first is controlled by Al. Hayman, Charles and Daniel Frohman, and the firms of Klaw & Erlanger and Nixon & Zimmerman.

What theaters are controlled by the first syndicate?

The circuit is as follows:

Albany—Empire Theater:

Baltimore—Academy of Music.

Boston—Colonial Theater, Hollis Street Theater, Museum.

Brooklyn—Columbia Theater, Montauk Theater, Grand Opera House.

Buffalo—Star Theater.

Chicago—Powers' Theater, Illinois Theater (now building on Jackson boulevard).

Cincinnati—Grand Opera House.

Cleveland—Euclid Avenue Opera House, Lyceum Theater.

Columbus—Great Southern Theater.

Dayton—Victoria Theater.

Denver—Tabor Grand Opera House, Broadway Theater.

Des Moines—Foster's Opera House.

Indianapolis—English's Opera House.

Kansas City—Coates' Opera House.

Louisville—Macauley's Theater.

Milwaukee—Davidson Theater.

Newark, N. J.—Newark Theater, Empire Theater.

New Orleans—Tulane Theater—Crescent Theater.

New York—Knickerbocker Theater, Criterion Theater, Garrick Theater, Garden Theater, Empire Theater, Madison Square Theater.

Omaha—Boyd's Opera House.

Philadelphia—Chestnut Street Opera House, Chestnut Street Theater, Broad Street Theater, Walnut Street Theater, People's Theater.

Pittsburg—Alvin Theater.

Portland—The Jefferson.

Providence—Providence Opera House.

Rochester—Lyceum Theater.

Salt Lake City—Salt Lake Theater.

San Francisco—Columbia Theater.

St. Louis—Olympic Theater, Century Theater.

Toledo—Valentine Theater.

Toronto—Grand Opera House, Princess Theater.

Washington—National Theater, Columbia Theater.

Williamsburg (East Brooklyn, New York)—Gayety Theater, Amphion Theater.

Worcester—Worcester Theater.

What theaters are controlled by the association of vaudeville managers?

The following:

Akron—Lakeside Park.

Albany—Proctor's Theater.

Baltimore—Lyceum Theater.

Boston, B. F. Keith's New Theater, New Grand Theater, Howard Athenæum.

Brooklyn—Hyde & Behman's Theater, Hyde & Behman's New Theater.

Buffalo—Shea's Garden Theater.

Chicago—Chicago Opera House, Olympic Theater, Haymarket Theater, Masonic Temple Roof Garden, Sans Souci Park, Hopkins' Theater, Sunnyside Park, Hopkins' Pavilion.

Cincinnati—Columbia Theater, Ludlow Lagoon.

Cleveland—The Empire Theater.

Columbus—Great Southern Roof Garden.

Detroit—Wonderland Theater.

Kansas City—Orpheum Theater, Electric Park Theater,

Los Angeles—Orpheum Theater.

Memphis—Hopkins' Theater.

Mount Vernon, O.—Hiawatha Park.

New Orleans—Orpheum Theater, Hopkins' Theater.

New York City—B. F. Keith's Union Square Theater, Tony Pastor's Theater, Proctor's Fifth Avenue Theater, Proctor's Twenty-third Street Theater, Proctor's Palace, Proctor's One Hundred and Twenty-fifth Street Theater.

Newark, O.—Idlewild Park.

Newark, N. J.—Hyde & Behman's Theater.

Omaha—Orpheum Theater.

Philadelphia—B. F. Keith's Theater.

Pittsburg—Calhoun Park.
 Rochester—Cook Opera House.
 Providence—B. F. Keith's Theater.
 San Francisco—Orpheum Theater.
 St. Louis—Columbia Theater, Forest Park, Highland; Suburban Gardens.
 Toledo—Farm Theater.
 Toronto—Shea's Theater.
 Washington, D. C.—New Grand Opera House, Glen Echo Park.
 Wheeling—Wheeling Park Casino.

How many cities and theaters are served by the two syndicates?

The Hayman-Frohman syndicate controls fifty-six of the theaters in thirty-three cities; the vaudeville association controls fifty-one of the theaters in thirty cities.

What is the origin of the Hayman-Frohman syndicate?

It grew out of the conditions of theatrical competition, a system which some thought was making neither for good art nor good profits. Some three years ago four eastern managers and a booking agency organized to absolutely control a number of theaters in the large cities, and arranged for an income, through booking fees, from houses which they did not control. The four above mentioned firms and individual managers now have managerial interests in sixteen of the fifty-six theaters enumerated, Charles Frohman managing five of the New York City theaters of the syndicate, Nixon & Zimmerman three Philadelphia houses and one each in Pittsburg and Baltimore, and Klaw & Erlanger two New Orleans houses.

How has the policy of combination worked out in theatrical management?

From the public, not to speak of the manager's standpoint, seemingly for good. A manager of a theatrical syndicate has, in common parlance, shows to sell, and he seeks to control the market for his shows, placing them in the various theaters of his circuit with the least waste in transportation, salaries and stage production, and with the greatest net returns to be derived from the economies of combination and approximate monopoly. As may be seen in industrial combination, so here there are many who are thrown out and cast down—these are the "barnstormers" of older and mellow days—but the better actors and managers survive and give the public better work. Whatever its service to dramatic art, the theatrical trust has revolutionized the methods of conducting theatrical affairs, and now manages them on a strictly business basis. The death of the great stars, and the passing of an actor or artist manager, left the majority of theaters in this country in the hands of managers who, by training and

inclination, were merely landlords. They had no capacity for creating attractions for their houses, and their bookings, by reason of the lack of really first-class features, became glaringly irregular and uneven. Paying theatrical properties became few and far between. The field was filled with booking agents thriving on this state of affairs, when the Hayman-Frohman syndicate offered to book houses exclusively and solidly for a share of the profits. The syndicate had a number of first-class attractions under its management, and consequently had a great advantage over any ordinary booking agent. It was so well organized that, whereas, before it entered the fields there was required great expense and several months' time to book a theater, it could now be done with reasonable certainty for an entire season within half an hour, through the excellent business methods of the syndicate. The ordinary booking agent got a cash fee for his services. The syndicate not only levies a tax on the manager and the company it is booking, but generally, if it is concerned in the management of the theater, gets a percentage on the gross receipts over a certain figure. Its powers as a booking agent are enormous, and it practically dominates the first-class theatrical business of the country. As for the beneficent rule of the syndicate, leaving the actor out of the question entirely, the public may judge by the results in

The power of talent and capital to get things, when working in theatrical enterprises on the combination principle, is illustrated in an interview in the daily papers of July 21, 1900, with Charles Frohman, who had just arrived from Europe. In brief Mr. Frohman reported the results of a business visit as follows: "For John Drew I have secured new plays by Haddon Chambers and Louis N. Parker. I expect much from Maude Adams' production of Edmund Rostand's 'L'Aiglon' at the Knickerbocker Theater in October. I have secured a new play called 'The Wilderness,' by H. J. Esmond, author of 'When We Were Twenty-One.' Captain Marshall, author of 'A Royal Family,' with which Miss Annie Russell will open the Lyceum Theater, has started work on a modern comedy for me. A comedy by R. C. Carton, author of 'Lord and Lady Algy,' called 'Lady Huntworth's Experiment,' which is the success of the present London season, I shall produce. I have also a new comedy, the English rights of which belong to Charles Hawtrey, entitled 'By Proxy,' and a new play by Madeline Lucette Ryley called 'My Lady Dainty.' I have arranged with Maurice Grau for a season of Sarah Bernhardt and Coquelin. They will present the French version of 'L'Aiglon' and 'Hamlet.' Coquelin will play Polonius to Mme. Bernhardt's Hamlet. In 'Cyrano de Bergerac' Bernhardt will play Roxane and Coquelin Cyrano. I have a new comedy by Alexander Bisson, his first play since 'On and Off.' It is called 'A Good Judge.' I have ready for stage production dramatizations of the novels 'To Have and to Hold,' 'The Idols,' 'Red Pottage,' 'The Forest Lovers,' 'A Gentleman of France,' and 'Richard Carvel.' I have also secured the dramatic rights of Hall Caine's unpublished story, 'The Eternal City.' It will be dramatized by Mr. Caine. The serious four-act play which J. M. Barrie has written is to be produced in London in September, and I have the rights of this work for America."

the class of attractions in the theaters the syndicate absolutely controls.

How may the power of the syndicate as an amusement purveyor and art promoter be shown?

It may be said to appear in the fact that only one American star, Minnie Maddern Fiske, now books exclusively outside the syndicate's houses; and, at the present writing, it is reported, that not even in the American metropolis is there a single theater available to this popular actress the coming theatrical season. It is the history of the relations of the syndicate and leading actors that the syndicate seeks to book them if it can; but in not every instance has it induced successful actors to come under its control. Although peculiar circumstances may have placed the syndicate in hostility to Mrs. Fiske, on the other hand it cannot, though it would, monopolize the services of Mr. Mansfield, America's greatest living actor, who books at houses both within and without the control of the syndicate. So it follows that while the syndicate controls much of the best theatrical talent, native and foreign, it does not control it all.

What influence has the trust had upon actors' salaries?

The salaries of the best talent have probably been increased, because there are fifty-six theaters to which the syndicate must supply attractions, and there are not fifty-six stars and good stock companies to meet the demand. Indeed, the general average of salaries in the profession has probably been raised. The people are calling for the work of artists, and talent commands its reward.

Has the syndicate raised the tax upon the public?

It has raised admissions in New York to \$2, and gets the same price for its best companies in some other cities. The syndicate

Dissensions between the eastern and western branches of the Association of Vaudeville Managers of the United States were reported in daily papers of July 22 and 23, 1900. Western managers say they are not getting the players they want. The trouble seems to lie in the strength of the independent managers outside the trust. The trust has a rule that all talent booking with it for the season shall be barred from booking with houses outside the trust. The rule means that all talent employed by the trust is compelled to take a vacation of from twelve to twenty weeks each year. A Chicago manager said: 'While it is not true that we have adopted a hard and fast rule requiring all of our talent to book solely with members of the association, we have had an understanding on the subject. We do not believe that it is unjust to ask talent to confine their services to us, since the salaries we pay make it no hardship for vaudeville people to take the vacation customary to the theatrical profession. By booking with the cheaper houses the actor simply makes himself common and of less value to himself and to us. Our motive is simply to protect our interests and the large amount of money we have invested. The only people who will suffer by the arrangements are the cheap booking agents, who will be forced out of business.'

itself is paying more to the drama, and in turn asks compensation from the drama's patrons.

What seems to be a fair conclusion as to the good and evil of trust control over American theaters?

Doubtless the advantages of trust control in one instance may be balanced by hardships in another; but it would seem that the elevation of the dramatic art to the high plane it should hold is more nearly within the grasp of a combination of executive and artistic talent than within that of isolated and competitive managers, who may be as remote from New York, London, Paris and Berlin in spirit as they are in capacity to command the ever developing dramatic resources of those great capitals.

Have the variety and vaudeville theaters also felt the benefits of combination?

Yes.

Chicago *Tribune*, July 7, 1900: "There appears to be trouble ahead for the variety stage if the Eastern members of the 'vaudeville trust' persist in their intention of reducing the salaries of the high-priced performers. The prominent players express a determination to go back to the 'legitimate' unless they continue to get the salaries they have been receiving. One singer, who has been getting \$750 a week on the vaudeville stage, is now offered less than one-half that amount for the coming season, and as she can get \$500 a week for singing in opera she declares her intention of leaving the variety theater. Her attitude is said to be typical of that of all the prominent artists. They would prefer the vaudeville as long as the pay is higher and the season longer than on the legitimate or operatic stage, but unless the variety managers keep up the present prices there will be a general exodus of talent and vaudeville will drop back to the low status which it occupied a few years ago.

"The remarkable popularity of the variety entertainment has lasted unusually long for a fad, and its reign has been marked by a steady and surprising rise in the personnel of the vaudeville stage. Actors, actresses and singers of high rank have been induced by large salaries to take their turns between the funny man and the performing dogs, and the general result has been to raise the variety show to a standard of popularity and real excellence never before reached by it. The present attempt of the managers to cut down salaries is the first indication of a turn in this theatrical tide, which, taken at its flood, has led many artists to comfortable fortunes.

"Whether the reduced offers of the 'vaudeville trust' are due to waning popularity of vaudeville or simply to a desire for more profits, the result threatens to be the same. If the artists with high talents and well-known names desert the variety stage it will likewise be deserted by fashionable audiences, and the reign of vaudeville as a society diversion will be ended. The actors and singers are right when they say that the present popularity of variety is in grave danger."

The good and evil of theatrical trusts, particularly of the Hayman-Frohmman syndicate, as interpreted by a hostile critic, may be found expressed in the New York *Dramatic Mirror*, Harrison Grey Fiske, editor. The organ of the combinations is the New York *Dramatic News*.

THE MONEY TRUST.

XVII.

What is meant by the money trust?

It is alleged to be that system of finance with the monopoly attributed to it, which is practiced by advocates of the single gold standard, as distinguished from that proposed by the advocates of the double standard with free coinage of silver.

What do advocates of free silver declare to be the origin, purposes and evils of the money trust?

A statement of these may be condensed from the latest book of W. H. Harvey, "Coin on Money, Trusts and Imperialism," 1900.

The nearer a nation becomes a nation of home owners and independent employment the nearer it approaches a true democracy. The nearer it approaches a nation of tenants and dependents the nearer it comes to monarchy and empire. Classes are exacting tribute from masses. The total absence of money would abolish business. It cannot be left to a class which deals in money for profit to say how much money shall be put in circulation. It is a false notion that they who deal in money know best how to legislate about it. There is greater need for a normal supply of money than a normal supply of wheat. A normal supply

From address by National Anti-Trust Conference, Chicago, Feb. 12, 13 and 14, 1890: "We declare that the problem of trusts is inextricably interwoven with the money question. We see today the effort made systematically, and it would seem with fair prospects of success, to turn over to the banks the control of the circulating medium of the country. But the banks in their turn are controlled by those giants of finance termed 'trust magnates.' These potentates hold and control blocks of bank stock. They sit upon boards of directors. They are in position to extend or to deny credit, to ease or to tighten the money market, to make prices of securities rise and fall, and to enrich or to ruin men engaged in great enterprises. As trust magnates they compel their banks to refuse assistance to competing concerns; as bankers they finance the trusts in which they are interested. Since this alliance amounts to a community of interests between the trusts and the great banks, it is clearly inexpedient that the control of the volume of the circulating medium of the nation shall be delivered over to the corporations."

of money for the United States is the quantity necessary for use in the exchange of all products, for conducting all business, and travel, and education, and the expense of running the government.

All the money in the United States, outside the treasury, is about \$1,963,716,148. Now, business men to perform the exchanges have borrowed from the 12,804 banks, \$5,751,467,610—three times as much as there is in existence—and for this sum they are paying the bankers \$345,000,000 in interest. The banks are able to lend all the available money in the United States, not in people's pockets, to the extent of three times its quantity, because the banks loan the same money three times, and are therefore interested in limiting its supply, in closing the mints to silver. The issue of money is a government function. It is as important to protect the money as it is to make it. Either the government must run the banks or the banks will run the government. The total individual deposits are \$7,513,954,361. If there is but \$1,963,716,148 in existence—and so the treasury reports—how is it

"The act of March 14, 1900, marks a new era in our finances and our currency. This law marks a unique rate of interest on government bonds, and so affects the earnings of capital in all uses. It does away gradually with treasury notes and puts silver certificates in their places. It opens the door wide for increase in the notes of national banks. It gives parity to all our currency. On the face of all our money, paper and coin, white and yellow, on all our bonds, all wages, all trade, all banking, all business, it brands deep and sure, to be read of all men for all time, the pledge of gold. The rate for money is less in our country than in any point in Europe, except Paris, and often lower than on that bourse. Before next autumn the addition to the number of banks, under this act, will not be less than 800, with a capital of \$20,000,000. The capital of the national banks before September next will be likely to be \$633,000,000, and a safe estimate of the bank notes issued by that date is \$350,000,000. The inflation probably is great; the extreme inflation probable for the season can not run much above the standard of December, 1873. The most timid cannot find here cause for alarm. Not by statutes alone has gold become the master element in our currency. For three years more than ever before has the yellow metal been thrusting itself into our markets, our vaults, into the pockets of the people. The stock in our country passed the billion mark last December. On May 1 the gold in coin and certificates in circulation reached \$814,063,155, 40 per cent of all our money afloat, including banknotes. It meant a great deal that in each of the past four months gold has gone into our currency at an average rate of \$8,740,000 a month, or over \$100,000,000 a year. By their latest reports all the national banks held in coin, certificates and clearing house receipts for gold \$298,381,172, and all other banks, \$74,409,976. The treasury of the United States is richer in gold than any other nation or any corporation or combination. Its treasure in this form in its vaults, mints and assay offices was on May 2, \$427,238,600, and it grows. A drain on the treasury is inconceivable, because no gold can go out unless it is paid for in what is really gold. The day has dawned, then, when any 'endless chan' must have all its links of gold."—ELLIS H. ROBERTS, United States Treasurer, in "Chicago Banker," for June, 1900.

possible to make deposits as above mentioned unless in the elastic way described? In short, if from the deposits are taken the loans and discounts, \$5,751,467,610, there is left the money in the banks —\$1,762,486,751. Under the operation of our banking laws it is only a question of time when 1 per cent of the people will own all the property, and 99 per cent will be tenants.

What special privilege do the bankers have?

"Another special privilege the bankers have is to borrow money from the government at *one per cent per annum*. They have long had a law to that effect. Under the law they do it in this way: They take government bonds to the treasury at Washington and borrow up to 90 per cent of their face value, money on which they pay ONE per cent per annum, continue to draw interest on the bonds and are exempt from taxation.

"Under this law a banker can take \$100,000 in government bonds to Washington, on which he is drawing and will continue to draw, 4 per cent, with principal and interest exempt from tax-

The consolidation of certain Chicago banks in 1900 shows the principle of combination to be quite as economic in finance as in industry. The Bankers' National, organized 1892, capital \$1,000,000, E. S. Lacey, ex-Comptroller of the Currency, president, will absorb the Lincoln National Bank, organized 1887, capital \$200,000, V. C. Price, president. The resources of the Bankers' National are \$11,037,188; its deposits, \$9,577,035. The resources of the Lincoln National are \$1,092,509. A greater consolidation will be that of the Corn Exchange National, the Northwestern National and the America National. The Corn Exchange, absorbing the other two, alone retains its identity; president, Ernest A. Hamill. On June 29, 1900, the status of the three banks was as follows:

DEPOSITS.	
Corn Exchange.....	\$15,423,976
America.....	10,470,525
Northwestern.....	7,278,204
Total.....	\$33,172,705
LOANS AND DISCOUNTS.	
Corn Exchange.....	\$10,617,802
America.....	6,795,539
Northwestern.....	3,533,381
Total.....	\$20,946,722
CASH RESOURCES.	
Corn Exchange.....	\$ 7,654,664
America.....	5,206,105
Northwestern.....	2,469,232
Total.....	\$15,330,001

The presidents of the three banks are: Corn Exchange, E. A. Hamill; Northwestern, E. Buckingham; America National, Isaac G. Lombard. The largest stockholder in the Corn Exchange is its vice-president, Charles L. Hutchinson, who has 1,550 shares. The largest consolidation is that of the First National with the Union National, the arrangement to become operative September 1. The deposits of the First National, reported

ation, will receive from the national treasurer \$90,000 in money, and will pay one per cent per annum for the loan, or \$900 per year. He will bring this same money home and loan it three times over at from 6 to 8 per cent on each of the three transactions. And, after paying running expenses, will, if his bank is as fortunate as the First National Bank of Chicago, make twelve per cent, or \$10,800, each year on the \$90,000, with an additional profit covered into the 'surplus and undivided profit fund,' from which every few years it may declare a *special* dividend. Nor is this all. He will also be receiving in the meantime the *four* per cent, or \$4,000 interest on the bonds deposited at Washington.

"A general decline in the price of property, or services, resulting in loss of homes and tenantry, may be brought about in either of two ways through financial laws. One is, laws that encourage the hoarding of money, diverting it from the purpose for which money is intended—a medium of exchange. The other by laws demonetizing or discrediting any portion of the money, without a sufficient substitute therefor, which results in confusion and contraction of the supply."

What regulates the price of property?

"This is what regulates the price of property: It is the quantity of property in the market in search of money, and the quantity of money in the market in search of property."

April 26, 1900, are \$45,886,178; those of the Union National, \$14,740,144, making a total of \$60,626,322. The First National, giving the name to the consolidation, will then be one of the largest and strongest banks in the United States. Its capital stock will be increased from \$3,000,000 to \$5,000,000. It will then be under a liability of \$5,000,000 more, and in addition to that there will be \$3,000,000 surplus, making a total of \$13,000,000. The president of the First National will continue to be James B. Forgan. His brother, David R. Forgan, president of the Union National, will hold high place. Interpreting the significance of this consolidation the *Economist* (Chicago) says: "As against deposit liabilities of \$60,000,000 this will be a more than adequate safeguard, and the institution will command confidence not merely from the character of those in charge of it, but because of its financial showing. The magnitude of this institution will be a great advantage to Chicago in financing the biggest undertaking. The greater the corporate enterprises of a country the greater must be its banking institutions. Europe now has an advantage over us in such matters."

Within four years, including the consolidations mentioned, nine national banks in Chicago have discontinued business; and at the same time three state banks have retired. During the same time six other banks have liquidated or failed, so that in four years eighteen banks, representing a capital of about \$11,000,000, have ceased to do business. In 1871 there were in Chicago seventeen national and twelve state banks; after the mergers mentioned are completed there will be fifteen national and fifteen state banks, with sixteen members of the clearing-house. The total deposits of all Chicago banks are over \$338,000,000, and resources about \$400,000,000. One of the causes of concentration is that large deposits attract business.

"It is the relative quantity of property in the market wishing to exchange for money, and the quantity of money in the market wishing to exchange for property that influences prices. And any law that encourages the hoarding of money for use other than that of a medium of exchange, the purpose for which money is intended, lessens the quantity of money in the market in search of property and results in a fall of prices for property, suits for debts and foreclosures of mortgages, bankruptcy in business and loss of homes. In estimating the quantity of money in existence the owners of which are likely to buy your property, you should deduct all of the money belonging to money lenders who make the lending of money their business. There should be a normal supply of money. There should be no laws fostering any business that hoards and diverts money from its true purpose. There should be no such thing as redemption money and representative money as distinguished from each other. Each dollar should be as good as every other dollar, and all stand equally in favor with the national government. As a result of the class legislation obtained by the money dealers, since the close of the war in 1865, and mainly since January, 1873, we have had periodical panics and a long period of constantly falling average of prices to the first of the present year, till average prices of all products have fallen 50 per cent—some more, some less, but on the whole, 50 per cent. This fall of prices forced the people to go to the money lenders and contract debts, till now the total of our national, state, munic-

Chicago "Daily News," July 16, 1900: "The consolidations which have so markedly reduced the number of banks within the last few years have gone on in connection with a great increase in the volume of banking business done here. At the beginning of 1896, for example, the aggregate deposits held by all the state and national banks in the city were only a little over \$200,000,000, while the total is now \$375,000,000. When the pending consolidations are carried out three institutions in Chicago will hold about \$165,000,000 of deposits, or, say 80 per cent of the total held by all the banks four years ago. The motive for the consolidations is to be found in that tendency to centralization which has played so important a part in all commercial lines of late. A small bank cannot handle big business, and as the units of business get bigger the banks must get bigger too. Twenty small manufacturers can do business with twenty small banks; but if they combine the combination must find a bank big enough to handle its money affairs. The bank is simply the money wheel in the commercial machine and in a general way it must correspond in size and power with the rest of the machinery. But there is still room for comparatively small banks, as there is still a vast deal of comparatively small business."

The editor of this handbook suggests that, in the irresistible concentration of loanable capital, which is going on in Chicago as elsewhere, for reasons above mentioned, the student of American finance may discover that the great capitalists of New York are entering Chicago, and that the interests of Rockefeller and Morgan are establishing themselves as powers here, as they have already done in the American metropolis.

ipal, corporate and private debts in the United States is fully \$40,000,000,000, and the annual interest is \$2,000,000,000.

"The total assessed value of all real and personal property in 1890 was \$20,600,000,000, so that the people's debt is \$15,000,000,000 more than their total assessment. The fair cash value of all real and personal property is estimated at \$70,000,000,000. Over \$10,000,000,000 of our indebtedness of \$40,000,000,000 is due to English money lenders who introduced among us the gold standard. Upon this debt we pay about \$400,000,000 in annual interest, and our fields and factories are stripped to raise it.

How do free silver advocates account for the present prosperity under a gold standard?

"But how shall we account for a temporary prosperity during the transfer of the property of the many to the few? In this way: A succession of causes has operated in the past two years to increase the quantity of money in the market in search of property. These causes are, first, a temporary increase in the production of gold; second, an exceptional foreign market for our crops; third, the addition to the money in circulation of \$300,000,000, and \$500,000 more daily, due to the stimulation of the Spanish war. These, however, are but temporary causes of present prosperity, and great danger will follow their removal. Nevertheless, the benefits are apparent in the increase in circulation of \$300,000,000 or \$400,000,000. And yet the farmer cannot buy as much with the price of his crops as in 1896. Our exports do not bring us half as much money as when gold and silver were in free competition.

"When the banks and mortgage companies have drunk up the money, the blood of civilization, they will consolidate, encouraging new loans. They will try to break the present debt constitutional limit the states have placed on towns and cities, in order to loan to them more money than they are now allowed to borrow. They will encourage wars for conquest and raid the national treasury for gold in order to loan the government more money. And when big loans thus made put suddenly more money in circulation and temporarily better times, they will point to the better times in an effort to refute their critics.

What will be the outcome of the trust movement?

"Back of the industrial trust is the money trust. Falling prices are transforming property to the creditor classes, the money lenders. When business belonged to the millions competition

"The evil of speculation, coming from the work of the promoter and financier, which has led to substantial bribery of bank officials and to excessive stock watering on the part of the industrial combinations, is to be counted among the great evils which have attended their organization."—"The Trust Problem," by Jrof. J. W. Jenks.

regulated prices and there were no combinations. But as the quantity of money in circulation grew less, prices of products went down, and there followed combination to restore them. Hence the trust. Farmers are not yet in trusts. They are too widely scattered and too numerous to agree on a scale of prices. Yet none the less are farmers the prey of the trusts, for they are bitten on their way to market by the railroad trust, and when they get there bitten by every other trust that produces the things that they cannot. Then there is the newspaper trust whereby a few "ready print" houses supply "plate matter" to country newspapers, thus restraining the country press from asserting the independence that is the safeguard of the people.

"So if class legislation and trusts continue, the financial trust will own all the other trusts. After the temporary cause for the increased money in circulation has passed, the consuming power of the people will diminish. When war and famine money have all passed into the hands of the money lenders in payment of interest, as it will, the situation will be intensified. Consumption of trust articles will decrease, and industrial trusts will begin to compete with each other by each going into the other's business. This will result in debts, and bonds and mortgages on industrial trusts, till their property passes into the hands of the MONEY TRUST. Abolish the money trust."

THE RAILROADS AND THE TRUSTS.

XVIII.

What is commonly considered one of the most potent causes of the existence of trusts?

Discrimination in railroad rates.

How may the general proposition be stated for shipper and carrier alike?

"I do not procure transportation as the result of a bargain with the carrier, but in the exercise of my political rights. The right to that transportation is primary, indispensable and inalienable. The essential element of this right is equality. The privileges I enjoy as a citizen in this regard are precisely the same in every respect as those possessed by any other citizen under like circumstances, and impairment of those privileges is a deprivation of like character and scarcely less serious than restraints upon my personal freedom or the denial of protection to my property. Therefore, whatever promotes stability and uniformity of charges by public carriers, whatever tends to secure equality of right in the use of transportation agencies, should be encouraged and promoted. Indeed, I go to the extent of saying that we cannot have that free and fair competition in the fields of production, which is the condition of industrial freedom, without methods and charges for public transportation which amount to a monopoly."—
MARTIN A. KNAPP, Chairman Interstate Commerce Commission.

What special restrictions rest upon the railroads affecting their relations to the public?

The restrictions contained in the interstate commerce act and

Sources of opinion in this section are the Interstate Commerce Commission; *Railway Age*; President E. P. Ripley, Atchison, Topeka & Santa Fe R. R.; Marshall M. Kirkman, Second Vice-President Chicago & Northwestern R. R.; President Cowen, Baltimore & Ohio R. R.; Roswell Miller, Chairman, Board of Directors, Chicago, Milwaukee & St. Paul R. R.; M. L. Lockwood, President American Anti-Trust League; Wm. H. Baldwin, Jr., President Long Island R. R.; Martin A. Knapp, Chairman, Interstate Commerce Commission; George Gunton, editor *Gunton's Magazine*; Arthur T. Hadley, President of Yale University; Prof. Sidney Sherwood, Henry D. Lloyd, Charles W. Baker, Dr. Albert Shaw; railroad brotherhoods; National Anti-Trust Conference, Gen. Aldace F. Walker.

the anti-trust act, both of which laws are deemed by the railroads as much in restraint of trade, as the combinations they would like to form are deemed restraint of trade by the framers and upholders of these laws.

What authority sees to the enforcement of the interstate commerce law?

The Interstate Commerce Commission, at least so far as it has power to accomplish its purpose.

Why has the Interstate Commerce Commission failed of its purpose?

Prof. Sidney Sherwood, of Johns Hopkins, discussing "The Influence of the Trust in the Development of Undertaking Genius," before the twelfth annual meeting of the American Economic Association, explained it this way: "The failures of the interstate commerce law have been due to two chief causes. The law did not recognize the fact that consolidation is an inevitable tendency in railroad transportation, and has been attempting the impossible in trying to suppress it. Secondly, the interstate commerce commission is a semi-judicial body, and has aroused the jealousy of the United States supreme court which has gradually stripped it of the powers it was intended to exercise. Even so, however, it has accomplished much, largely through the publicity which it has required of the railroads, to secure uniformity, fairness and honesty and railroad business dealings. If the law, instead of prohibiting pooling, had charged the commission with the duty of regulating pooling, much more might have been done to secure to the public the benefits of the monopoly inherent in the business. An extension of the scope of the commission to include supervision of mercantile and industrial concerns doing an interstate business, would, if wisely planned and patiently carried out, furnish a workable solution of the trust problem."

What do the railroads want?

The prohibited right of contract, and the right to pool earnings

The chiefs of the brotherhoods of locomotive engineers, firemen, conductors, trainmen and telegraphers testified as follows before the Industrial Commission, March 10, 1899: "As a rule the rates of wages are quite stable. The labor organizations do not interfere with the employe who is not a member, nor with his right to work; they depend upon their standing, reputation and works to attract to them all worthy and well-qualified employes. The whole business and laboring world are more interested in stability of rates than they are in the questions whether or not those rates are a fraction too high. There is no doubt but that consolidation of railway lines under one management has effected economies in the management and in the traffic and accounting departments. It is our experience that the large masses of the employes are not unfavorably affected by such consolidations."

and divide profits regardless of the amount of traffic carried by individual lines, and to combine as all other industries are doing.

As it is, what are they doing?

Trying to avoid the losses of unrestricted competition by agreements and consolidations.

Cannot the interstate commerce act be amended so as to suit both railroads and shippers?

Amendments to the act were before Congress at the last session, but failed to pass. "The general public dissatisfaction with the present statute has frequently been expressed in resolutions adopted by various national organizations composed of business men, manufacturers and farmers, and by the National Convention of Railroad Commissioners. At a conference held in Chicago, in November last, and attended by representatives from a number of national associations of manufacturers, merchants, millers and other branches of trade, a bill embracing the more important amendments recommended by the Interstate Commerce Commission was, after discussion of each feature, formally approved as the measure which would best meet the requirements of business and commercial interests, and was introduced in the Senate by Senator Cullom."—From thirteenth and last annual report of Interstate Commerce Commission.

To what other conclusions has the Interstate Commerce Commission come?

"It is perhaps safe to say that nine-tenths of the people know that any railroad company can charge for its service whatever it pleases and as much as it pleases, without any real power in the Interstate Commerce Commission or other tribunal or court, to limit the amount of such charge for the future when complaint is made by an aggrieved shipper; and these same nine-tenths are substantially of one mind in desiring that this and other defects in the statute be promptly remedied. It is also true that shippers generally have been practically unanimous in favor of a single

Arthur T. Hadley in "Railroad Transportation: Its History and Its Laws": "We hear a great deal said about 'charging what the traffic will bear,' and the man who avows this as his principle is compared by the anti-mopolists with the robber barons of the middle ages. He is represented as fleecing a helpless public out of all its hard-won earnings. In the proper meaning of the principle the case is just the opposite. Charging what the tariff will bear is a very different thing from charging what the traffic will not bear. It is a hard principle to apply intelligently, but when it is thus applied, it adjusts the burdens where they can be best borne, and develops a vast amount of business which could not otherwise exist."

"The railroads of the country at the present time, taking good years and bad together, are probably not earning more than 3 per cent on the actual investment."—Arthur T. Hadley.

classification of freights, one that will be uniform for all roads, and all sections of the country, and reasonably stable where established."—Report of Commission.

What was behind the bill to amend the interstate act, the bill that has failed to pass?

A movement on the part of associated producing and shipping interests, representing, it is said, an amount of invested capital exceeding the aggregate capitalization of all the railroads.

Meanwhile what are the forces that are building up industrial trusts doing with the railroads?

"It is a matter of common knowledge that vast schemes of railway control are now in process of consummation, and that the competition of rival lines is to be restrained by these combinations. While this movement has not yet found full expression in the actual consolidation of railroad corporations, enough has transpired to disclose a unification of financial interests which will dominate the management and harmonize the operations of lines heretofore independent and competitive. This is today the most noticeable and important feature of the railway situation. If the plans already foreshadowed are brought to effective results, and others of similar scope are carried to execution, there will be a vast centralization of railroad properties, with all the power involved in such far-reaching combinations, yet uncontrolled by any public authority which can be efficiently exerted. The

From a series of valuable articles in the "Dry Goods Reporter," afterward collected for private circulation by their author, Alfred M. Compton, superintendent, J. V. Farwell & Co.: "After an existence of over twelve years and the expenditure of over \$2,000,000 the Interstate Commerce Commission, created solely for the purpose of preventing unjust discrimination in railway rates in favor of individuals, places, or commodities, has accomplished practically nothing. A year ago the president of a prominent railway spoke undeniable truth when he said: 'The large shippers are obtaining advantages which sooner or later will prove the ruin of the smaller and more conservative traders, and in the end will break up many of the commercial houses in this country and ruin the railways. A madness seems to have seized upon some railway managers, and a large proportion of the freight of the country is being carried at prices below cost.' If the below-cost cutting has ceased with the coming of increased business, the giving of favored rates to big shippers continues unabated. Private arrangements and understandings are more plentiful than regular rates. Secret freight rebates are holding back the growth of small dealers, small manufacturers, and small shipping centers everywhere. The interstate commerce law is worse than a failure. It has turned out to be a clever device behind which the powerful shippers can dodge, dictating their own terms to the railways, while the small shippers are compelled to pay the public rate. In the hands of the railways the law is a club to make the small shippers pay the public tariff, while in the hands of the large shippers the same law is a club to force the railways to give them whatever they want. As long as this iniquitous state of things exists the great industrial combines are not on the scientific commercial basis that underlies all legitimate enterprises."

restraints of competition upon excessive and unjust rates will in this way be avoided, and whatever evils may result will be remediless under existing laws."—Report of Commission.

How has the business of the past year affected rates?

The remarkable increase in the volume of business has contributed to the improved observance of published rates, and diminished the frequency of those practices which are made criminal misdemeanors by the statute.

Have rates been higher?

Advances in rates have been mainly affected by concerted and agreed changes in the classification of freight articles by roads, both connecting and competing, which use the same classification and make the same a part of the tariff filed by them under the law. Advances in rates—and it is not intimated that advances are unlawful—have been made on hundreds of articles, many of which are necessities in general use, and constantly moving from place to place. These advances in rates have been agreed upon by the carriers without opportunity, as a rule, for shippers, dealers or consumers to be heard. So long as carriers are practically free to make and apply such rates as they choose, whether acting independently or by concert, and whether competing or otherwise, and there is at the same time no adequate provision for determin-

At a dinner in Chicago, in the summer of 1899, the Hon. M. A. Knapp, chairman of the Interstate Commerce Commission, said: "I undertake to say that if the worst enemy of the railroads whom you can name were elected President of the United States, and if he should pack the Interstate Commerce Commission with the worst Populists of the land, these men would never dare to do the reckless and indecent things which the managers of railroads themselves have done. Can you name any five men so ignorant, so prejudiced, so inimical to the common interests of the country, that they would upset the commerce of the country and demoralize rates and business in the way the railroad men have done by putting in force the rates that now prevail to the seaboard by way of Galveston from the Missouri River? Would they let the Missouri River rate be as low as the Chicago rate? Would they allow flour to be carried from Minneapolis to the Atlantic cheaper than from Chicago? In such things the railroads are making a fearful misuse of their power."

The "Nation," commenting upon these remarks, Aug. 17, 1899, said that Congress, in trying to obey public opinion, had aggravated rather than cured existing evils, and that as all the harsh punishment had failed to prevent discriminations, it were wiser to remove the motive for making them. For railway men do not discriminate without cause. The "Nation" then continued:

"In short, the interstate commerce law sought to expel nature with a fork and it failed. Railway discriminations, although not so open as formerly, are as flagrant, as damaging, as disastrous, and more demoralizing than before—more demoralizing because they involve and necessitate more falsity and more perjury than before. The pooling system, which the law prohibited, was established expressly to take away all motive for discrimination in rates between individuals and localities. The vital principle of

ing such rates are just and reasonable, or for preventing the exaction for those found unjust and unreasonable, although declared by the statute to be unlawful, the injustice which may result must be without available redress.

When did disregard of published tariffs bring demoralization of rates to an acute stage?

In the autumn of 1898. On competitive traffic between great centers the published tariff was little more than a basis from which to calculate concessions and discriminations, with the result that shippers who failed to secure these unlawful favors were in many cases forced to do business at a loss, and in some instances driven out of business. Unfortunately the commission cannot punish these criminal infractions of the law.

Then what has the commission been able to do?

It has tried, by personal interviews with presidents of the more important lines, to get a pledge that each railroad would adhere to its own published rates, each at the same time being free to change its rates as it sees fit, and would cease entirely from every sort of secret discrimination. "The results have fully vindicated the prosperity of these conferences. All reports agree that there has been a marked improvement in the observance of published tariffs, and that unlawful practices have been less general and conspicuous than for some time before." More potent causes for

the pool is that the earnings of competing railways shall be placed in a common heap and divided among the competitors with a small percentage of gain based upon actual earnings—a percentage sufficient to keep them up to a certain standard of efficiency, so that no road may get a share of the money without doing a share of the work. This simple and philosophical safeguard against railway discriminations happened to run counter to the popular demand for competition in the carrying trade, and was sternly prohibited. Hence these twenty years of riotous discrimination in spite of all the powers of Congress, of national commissions, of state commissions, of public sentiment and of the public press."

"Replying to the suggestion or thought that he might be advocating (in legalized pooling) the principle on which trusts and combines are founded, Mr. Knapp points out the difference—that in commercial transactions concerning commodities in the market we want not uniformity of price, but competitive prices, while in the transportation of property we want uniform charges without favor of discrimination. At all events, experience has shown that in the matter of railway management our choice lies between competition on the one hand and discriminations on the other—discriminations for the benefit of the few at the expense of the many. We cannot have railway competition and fair dealing at the same time. We can take whichever we like best; Mr. Knapp thinks that fair dealing and uniform rates are the desiderata of the present day. He would have the Interstate Commerce Commission vested with power to fix rates where they are unreasonable—a power which necessarily includes the fixing of all rates, since it depends upon the commissioners to say what rates are reasonable and what not. This seems to be a rather long stride toward absolutism, or socialism, as the case may be."

favorable conditions have been a slackening in competition, due to scarcity of cars and motive power, and the desire of the financial interests in the roads to prevent demoralization of rates and loss of revenue. The gross earnings of 691 roads, with mileage of 185,245, for the year ending June 30, 1899, were \$1,307,253,484, which were \$59,927,863 in excess of those of the previous year. The net income for the year was \$454,825,379. The dividends declared by operating companies were \$82,214,820, a figure considerably in excess of the dividends of 1898. The surplus for the year ending June 30, 1899, was \$50,768,209, which forms an agreeable comparison with \$31,075,030, the deficit for the year ending June 30, 1895.

What does the Interstate Commerce Commission mean by "vast schemes of railway control are now in process of consummation"?

It means that concentration, consolidation and combination are the tendency in transportation as in manufacture.

What great case is now working itself out before the public's eyes?

The case of the Pennsylvania and the Baltimore & Ohio, which may be explained in the word of the *Railway Age*, December 8, 1899: "The Pennsylvania railroad has bought a large block of the preferred stock of the Baltimore & Ohio. The purchase has been made, not by the Pennsylvania capitalists as individuals, or as a syndicate of capitalists, but by the Pennsylvania Railroad Company itself. The effect of this transaction will be precisely that which was intended, namely, to bring the two corporations into agreement for the general good of the trunk line situation. The Pennsylvania has not bought the Baltimore & Ohio. No claim is made that it owns a controlling interest in either the \$60,000,000 of preferred or the \$45,000,000 of common stock. Neither a financial consolidation nor an operating consolidation is contemplated. But the Pennsylvania interest in the Baltimore & Ohio, though not controlling, is now sufficiently great to entitle

William H. Baldwin, Jr., president of the Long Island railroad, at the Philadelphia meeting, April 19-20, 1900, of the American Academy of Political and Social Science: "The effect of railroad consolidation has brought many good results to the employes; an increased ability on the part of the railroads to pay higher wages, to employ more men; an improvement in standards of track and equipment, which has reduced the hours for a day's work and has made the service less dangerous. It has also made the employment of men in the service more regular throughout the year and thus kept together a regular force, and has developed a code of standard rules governing the army of employes which have dignified their employment and made more permanent their positions. The organizations of labor in railroad service have for the most part avoided the mistakes made by labor organizations generally in that they have not demanded the employment of union labor or the non-employment of non-union labor."

that company to a voice in the management—a voice, too, that will be heard—and to assure the maintenance of harmony between the Pennsylvania and the Baltimore & Ohio on one hand, as it is assured already in various ways as between the Pennsylvania and the New York Central on the other hand."

Are the centralizing tendencies of the great roads progressing satisfactorily?

"So far as can be judged from the known circumstances of the case, all that was sought for through the defunct Joint Traffic Association can now be accomplished by the compact financial powers that govern the destinies of the New York Central and the Pennsylvania systems. Instead of many men and many interests to be harmonized, there will now be but few. These few interests already are in closer union than ever appeared in the councils of the Joint Traffic board."

What is the English system, and what are its chances of adoption here?

"President Cowen of the Baltimore & Ohio is quoted as saying that the new co-operation between his company and the Pennsylvania had to do with 'the consummation of plans for the maintenance and the advance of rates that have been developed within the last six months.' He is reported to have added: 'In the future the various lines will, I think, compete on the English system. In England the rates are the same on all roads, and to secure business becomes a question of facilities. That is legitimate competition. Every line in America is now trying to improve its facilities, and the road that is the best will make the most money for its stockholders.' But if the Baltimore & Ohio deal shall

Marshall M. Kirkman, second Vice- President of the Chicago and Northwestern railway, in "The Science of Railways": "Rates must be uniform wherever conditions are alike. They must be just and reasonable. But in determining what is reasonable collateral questions affecting a traffic must be considered. Thus, the carrier's ability to perform a particular act embraces all his acts; he can handle designated articles only so long as he handles other articles. Rates must be founded on economic laws; on what the article will bear. They are not, consequently, equally productive. Competition is a particular factor in determining rates. Competition is not the 'life' of trade, but its balance-wheel—its regulator. Competition is not an unmixed good. Its advantages, however, greatly outweigh its disadvantages. Local competition enforces special rates; is supplementary to the general competition railroads labor under, and adds to its acuteness. Wise discrimination is a necessary adjunct of the duties of carriers; concurrent rules regulating competition an inherent right. When denied, traffic is injured or made the source of harassment to both carrier and community. Railways in the United States have suffered greatly from local competition. Whenever railway construction is free it is especially necessary that owners should be permitted to regulate competitive effort. Laws prohibiting it are destructive. Where it is prohibited consolidation of rival interests follows when the adoption of other effective devices is

accomplish that which it is designed to accomplish, competition in facilities may be controlled just so far as may be found desirable. 'Free lances' now disappear from the trunk line field—a disappearance that, on the other, is neither mysterious nor to be regretted."

Does not the control of railroad peace and prosperity seem to be falling more and more into the hands of the great powers?

Yes. "The Vanderbilt and the Pennsylvania lines would now appear to be able to settle for themselves, not, however, of course, without negotiations, all such questions as those of passenger and freight differentials, of fast freight lines, of terminal arrangements, of dealing with scalpers and of the absolute maintenance of tariffs. Conversely, if differentials shall continue to be allowed to the weaker lines, if extravagant competition in freight train time shall still prevail, if scalpers shall flourish and rates shall not be maintained, the conclusion must be obvious that whatever conditions shall exist will exist because the financial powers, for one reason or another, do not see fit to put the brakes upon the traffic departments."

What does such a move toward combination mean with respect to the relations of the great middle west and the Atlantic seaboard?

The *Railway Age* thus explains: "With permanent co-operation rather than possible antagonism between the Baltimore & Ohio and the Pennsylvania, all of the lines between Chicago, St. Louis and Cincinnati in the interior, and Newport News, Baltimore, Philadelphia, New York and Boston on the seaboard, with the exception of those reaching New England by way of Montreal, come virtually under Vanderbilt and Pennsylvania vetoes, if not under their immediate direction. The financial control of the Erie, the Lackawanna, the Lehigh Valley and the Chesapeake & Ohio, respectively, if not identical with that of the Pennsylvania

impossible. The device of pooling has been vehemently opposed in the United States under the belief that, if countenanced, managers of railroads would take advantage of the public or cease to try to operate except under this makeshift. This is a mistake. It should not be forgotten that they have never adopted a pool in any country except with reluctance and only under the most trying circumstances. No railway owner or manager will willingly circumscribe his action. This was the experience in the United States during the short period in which pools were permitted. While the practice of pooling is advocated by economists as a panacea for many of the evils that affect railroads subjected to indiscriminate competition, it operates generally to the disadvantage of properties highly managed and equipped, and in favor of those more potential as disturbing influences than as carriers. The dream of carriers is a stable service. Railway rates may be too low; they cannot be too high. If too high they cripple or destroy the business they seek to foster; like the railways of which they are the barometer, they must conform to actual needs. Great or widespread commercial prosperity is impossible where rates are not equitable."

and the New York Central, one or both, is in perfect accord with the control of those more powerful systems. Nickel Plate and West Shore are competitors of Lake Shore and New York Central, whether in rates or in facilities, only so far as the Vanderbilt interests permit them to operate as such. Wabash as an independent proposition reaches no further than Buffalo."

What is the apparent outcome of this centralization of the vast capitalistic interests of the great trunk lines?

"In short, with the establishment of an entente between the capitalists who for a year or more have dominated Baltimore & Ohio affairs, and those who control the Pennsylvania's, similar to that already existing between the powers in Pennsylvania and New York Central, the last possibility of trunk line 'wars' would seem to be removed, and most of the advantages of a pool of the lines between the Mississippi river and the seaboard to be rendered attainable. What this should mean in the conservation of legitimate railway revenues, and in the prevention of secret and unjust discriminations in rates and service, will be realized by all who are conversant with traffic conditions."

How may the case for the railroads be stated?

President E. P. Ripley, of the Atchison, Topeka & Sante Fe, says in the "Railway Age," of Dec. 8, 1899:

"It is well known that the chairman of the Interstate Commission favors pooling under proper restrictions, as a majority of

"MATTHEW MARSHALL" in New York *Sun* and Chicago *Inter-Ocean*, 1900: "It has been known for a long time that the New York Central Railroad Company and the Pennsylvania Railroad Company are in harmonious accord, and that the two together virtually own the Erie and the Baltimore and Ohio lines. This has suppressed destructive competition for railroad business between four great trunk railroads, and now a like competition in both the anthracite and the bituminous coal business has been suppressed by a similar joint control of the Reading and the Norfolk and Western properties. For several years, too, not only the Erie, but the Delaware, Lacakawanna and Western railroad and the Delaware and Hudson Canal companies have had boards of directors friendly to the New York Central, so that the purchases reported last week only serve to round out a monopoly which was already nearly complete.

"The consolidations which have been mentioned, following, as they do, enormous previous consolidations of a similar character, prove that the onward march of monopoly, which was supposed to have reached its end last year, still continues; and that no one can predict when and where it will stop. The Standard Oil trust, now the Standard Oil company, was the leader in it, and its success in making money has led to the formation of the American Sugar Refining Company, of the numerous mammoth steel and iron mining and manufacturing companies, of which the \$160,000,000 Carnegie Company is the latest example; of the Amalgamated Copper Company, with a capital of \$75,000,000, and of the paper, leather, rubber, cotton oil, lead, tobacco, and other similar companies, which, with the great department stores, threaten, at no distant day, to absorb the whole manufacturing, mining, and distributing agencies of the country."

the Interstate Commission does, and always has from its inception; so, also, I believe do a majority of the state commissions and a majority of the shippers of the country. The statement that the majority of the latter hold contrary opinions is pure assumption."

What is the tendency of free and unrestricted railroad competition?

"The statement that rates in this country ever were or ever can be too high per se is absolutely without foundation. The service performed by American railroads is admittedly the cheapest in the world, as well as the best, and no pool, however restrictive, can change the general laws of competition. No greater economic blunder can be committed than the fostering of free and unrestricted competition among carriers by rail—it tends to the aggrandizement of the few and the submerging of the many, and that portion of the interstate law which so unwisely prohibits pooling has done more to concentrate business in few hands and to drive out the small trader than could have been accomplished in a century of the old methods. One of the ablest of the interstate commissioners has said that the prohibition of pooling defeats the whole purpose of the law; that the law prescribes uniform rates, and forbids the only known plan by which rates can be kept uniform."

What about the cry for "equal rates?"

"The fact is, that the commercial world does not accept, never has, and probably never will accept, the "equal rate" theory. It is just what the railroads want, but what the large shipper

M. L. Lockwood, president American Anti-Trust League, in a speech in Chicago, February, 1900: "Thirty years ago the railway corporations of this government adopted a policy of secret rebates and drawbacks to the largest shippers. That policy, in spite of the government, in violation of law, continues to be the policy of today. Chairman Knapp, of the Interstate Commerce Commission, testified before the Industrial Commission on the 5th day of last October, and he swore that, in spite of the penalties of the interstate commerce law, railway discriminations were universal, and that they were almost invariably in favor of the largest shippers and against the smaller shippers. Thirty years of railway discrimination has enabled a few men to monopolize nearly all of the developed resources of this great land.

Railway discrimination has fastened a bituminous coal combine monopoly upon us.

Railway discrimination has fastened the "Big Four" beef combine monopoly upon us.

Railway discrimination has fastened the grain elevator combine monopoly upon us.

Railway discrimination has fastened the sugar trust monopoly upon us.

Railway discrimination has fastened the Standard Oil trust monopoly upon us.

Railway discrimination has created and maintained almost every commercial monopoly that curses the American people today.

does not want; ne will theorize that equal rates are best for all, but in his heart and in his practice he believes himself entitled to lower rates than his neighbor of less capital or less enterprise. Believing this, he is actively engaged in finding ways to evade the law, and it would be surprising indeed if he failed to succeed. The law can no more be enforced than the prohibitory laws, which have so conspicuously failed.

Where lies the injustice in the popular cry of rate discrimination?

"But the underlying fallacy of all this talk about trusts and monopolies as applied to railroad pooling is the failure to differentiate between the railroad industry of the country and other purely commercial enterprises. The demand of the railroads, that they be permitted to charge reasonable rates—and nothing more has ever been asked—is treated as if it were on a parity with a demand for the legalization of a trust in any article of merchandise, and it is argued that to do this is to establish a dangerous precedent, apparently forgetful of the fact that this country has never assumed to dictate or to regulate the price of any commodity except railroad transportation, as to which it has assumed both by state and national laws to fix prices, and it

"Aside from violations of the interstate commerce law, the large combinations at times get freight advantages which add greatly to their power. It seems to be established that the Standard Oil Company receives decided advantages from the location of its refineries at Bayonne, N. J., when the nature of the freight rates on oil shipped into that territory is taken into consideration. Shippers of goods from western Pennsylvania or Ohio to points in the New England states are usually given Boston rates on most articles; but on petroleum the rate is arbitrary, a local rate usually being added to the through Boston rate. On that account the rivals of the Standard Oil Company whose refineries are located in western Pennsylvania and Ohio find it impossible to compete at many points which they could easily supply at profitable prices, provided that Boston freight rates were charged. The Standard Oil Company, by bringing its oil to East Boston in tank steamers from its refineries on the seacoast, can distribute throughout New England at only the local rates, thus securing so decided an advantage that it is able to control the oil market through that territory. In like manner, by having very large refineries located at Whiting, near Chicago, it is able to supply the South and West at lower rates than its rivals, who ship from western Pennsylvania or Ohio, the rates from the immediate neighborhood of Whiting being apparently much lower than those from localities where rival refineries are located. It may pay exactly the same rates as its competitors pay when shipments are made over the same routes, but, owing to the fact that its refineries are more advantageously located, it not only secures a great advantage in the saving of cross freights, but it can also save through favors in rate making. It is not thought by many that there is any direct discrimination when oil is shipped over the same route, but the railroads seem to have arranged their rates in such a way that they work decidedly to the advantage of a company situated as is the Standard Oil Company."—"The Trust Problem," 1900, by Prof. J. W. Jenks.

certainly would appear to a reasonably fair-minded man that when the supreme authority undertakes to limit the revenues of a private corporation it owes that corporation something in the way of protection."

How may the injustice and absurdity of popular policy be further shown?

"As matters now stand the railroads are limited in charges, forced to compete and forbidden to combine for protection, though all the world may combine against them. It is considered legitimate and praiseworthy for the employes of railroads to combine to force up wages, and a crime for the railroad to combine to maintain the rates which the government holds to be reasonable. Could injustice go further? No such restrictions are put upon any other business in this country, and no such restrictions are imposed upon railroads in any other country.

"To ask for permission to pool earnings is a very modest request under the circumstances; the roads might well ask for more, as, for instance, laws prohibiting the building of unnecessary roads and confirming each existing line in the sole occupancy of its territory. Such laws exist in other countries and are wholly reasonable and proper if the railroad is to be considered as a public or 'quasi-public' institution."

Why do the railroads consider their request to be allowed to pool to be reasonable and proper?

"In short the whole attitude of the American people toward the railroad industry is inconsistent and dishonest; they are considered as public institutions to the extent that their users are to limit their rates, but their owners are to pay their bills. They are taxed more heavily than any other interest, and according nothing in return except the so-called 'right of eminent domain,' which, being

Arthur T. Hadley on "The Formation and Control of Trusts," in *Scribner's* for November, 1899:

"When railroads were first introduced people's minds revolted against the monopoly of transportation thereby involved. Statutes were devised to make the track free for the use of different carriers, as the public highway is free to the owners of different wagons. But the economy of having all the trains controlled by a single owner was so great that people were forced to abandon their preconceived notion of public right to the track. They still, however, tried to insist that the owners of separate railroads should compete with one another, and passed various laws to forbid the formation of pools and traffic associations. Some of these attempts have been failures from the outset; others have simply hastened the process of consolidation of competing interests, which put them beyond the reach of the special law; the few which have been effective have done a great deal of harm and almost no good.

"The majority of thinking men have come to the conclusion that railroads are in some sense a natural monopoly, and have classed them with water works, gas works, and other quasi-public line of business, as an exception to the general rule of free competition."

interpreted, means that they can force a man to sell his property at two or three times its value; and even this is nothing for which they have to thank the public, since it is a necessary concomitant to the building of railroads, which the public must have."

What then is the best known remedy for the evils of railroad competition?

"The permission to pool is asked for, not as a favor, but as a right—as being not a cure-all, but as the best known remedy for discrimination as between individuals and localities, which is to-day and always has been the worst and practically the only evil with which the American railroad system can be charged, either as to present or past practice—an evil which can never be removed by laws, however drastic, but which can be largely done away with by removing all incentive to it."

What may be said to be conclusions typical of the sentiment of railroad men?

"Let the government do one of three things, namely:

1. Remove all restrictions and turn the railroads loose.
2. Accord them that protection to which they are justly entitled.
3. Buy them.

The railroads are entitled in all fairness and justice to ask that one of these three courses be pursued. The present mixture of all the objectionable features of the three is unjust to the last degree."

To what conclusions may the economist and publicist come who studies the railway problem without self-interest?

Dr. Albert Shaw, editor of the "American Monthly Review of Reviews," is an eminent example of this type of student, and, writing in "Trusts or Competition," by General A. B. Nettleton, Dr. Shaw says:

Condensed from "Monopolies and the People," Charles Whiting Baker, editor *Engineering News*, second edition, July, 1899:

Ten years ago it was thought that railway rates should be regulated by competition; now the public has come to the principle of regulation by the state; that is, by railway commissions. Yet the problem of rates equitable to public and railways is no nearer solution than before. The only serious attempt to fix railway rates upon an equitable basis has been made by Texas; and this attempt was more scientific and creditable than anything done anywhere to solve the problem of state control of natural monopolies. Texas worked upon the principle that a natural monopoly is entitled to charge rates high enough to enable it to earn a fair rate of interest on the actual value of its property, and no higher. So Texas actually measured its entire railway mileage, and estimated the cost of replacing its railways. This value was declared the sum on which the railway company is entitled to earn a reasonable rate of interest. For our railway problems at large the most practical method of reform is the appointment of government directors with equal powers with those elected by the stockholders.

"It would seem good for everybody to have railroad transportation removed almost or quite wholly from the sphere of competitive business. The public is not benefited in the long run by rate wars between great trunk lines. Joint traffic agreements of a pooling nature may indeed be contrary to both the letter and spirit of the interstate commerce act; but the actual maintenance of non-competitive rates and a certain amount of co-operation in the distribution of business, is not only better for the holders of railroad shares, but it is also better for the shippers of goods and the traveling public than rate-cutting, secret rebates, and the administration of railroad systems in a spirit of warfare against other systems.

"For many years the railroad systems of the country have been going through the stage of financial reorganization as a penalty for their reckless and improper methods of the '60's and '70's. The clear tendency of the times is to knit together yet more closely the whole texture of the country's railroad system. It is not at all impossible—so swift is the movement nowadays of industrial and financial combination—that all the railroad systems of the country might, in the not very distant future, be amalgamated into one great corporate whole. Nor is it to be taken for granted without careful thought and study that such a consummation would be deplorable. The legislative power to regulate railroad rates has become established in practice and is firmly upheld by the decisions of the courts; and the state

Henry D. Lloyd in "Wealth Against Commonwealth":

"The private ownership of public highways has introduced a new weapon into business warfare which means universal dominion to him who will use it with an iron hand. This weapon is the rebate—smokeless, noiseless, invisible, of extraordinary range, and the deadliest gun known to *commercial* warfare. It is not a lawful weapon. Like the explosive bullet, is not recognized by the laws of war. It has to be used secretly. Nothing so demolishing was ever so delicate and intangible as this, for its essence is but a union of the minds of a railroad official and some business friend, bent on business empire. The model merchant, fortunate in having a friend willing to so use a power sovereigns would not dare to use, walks the public way, strong in his secret, and smiles with triumph as all at whom he levels his invisible wand sicken and disappear. Men who hunt their fellow men with this concealed weapon always deny it, as they must. To use it has always been a sin, and has been made a crime in every civilized state. In almost every one of the meteoric careers by which a few men in each trade are rising to supreme wealth, it will generally be found that to some privilege on the railed highways, accompanied by the rebate, is due the part of their rise which is extraordinary. From using railroad power to give better rates to the larger man, it was an easy step to using it to make a favorite first a larger man, then the largest man, and finally the only man in the business. From being competitors, like other men, in the scramble, they get into the comfortable seat of control of the prices at which the farmer must sell cattle, and at which the people must buy meat. Many other men had thrift, sobriety, industry, but only these had the rebate, and so only these are the fittest in the struggle for existence."

also possesses the power of taxation. It is not easy to see, therefore, how the community can be in danger of losing its liberties through the further reduction of the railroad network of the country to a complete and unified system under one harmonious control."

"Why do we hear as much as we do about the relief to trade in government ownership of railroads?"

From Address of National Anti-Trust Conference, Chicago, Feb. 12, 13, and 14, 1900.

"The privileges created by railway franchises are complex in their ramifications, and when concentrated in private hands are incalculably potent. So concentrated, they have enabled a favored few to monopolize most of the resources of this richly endowed land, and by creating a distinct privileged class have served to disturb the equality of American citizenship. Through discriminations in rates and terminal facilities they have furnished the basis of nearly every great commercial trust with which the people to-day are cursed. The coal trust is vitalized by railway privileges; the oil trust could not have acquired its power without them; the beef trust and the grain elevator trust depend upon them; they make the steel trust flourish; and from express combinations down to newspaper agencies, from hack rights at depots to freight discriminations, a host of minor trusts suck in all the vitality they have as monopolies from railway privileges. Those privileges must be abolished. But they cannot be abolished by restrictive laws. No less important an official than Chairman Knapp, of the Interstate Commerce Commission, testifying before the Industrial Commission, has sworn that notwithstanding the restrictive and penal clauses of the interstate commerce law, railway discrimination is universal. In the nature of things it must

Marshall M. Kirkman, second Vice President Chicago and Northwestern railway, in "The Science of Railways": "Private control of railroads is governed by economic conditions of trade and must conform to its laws; government ownership or control is desirable only so far as it can adapt itself from hour to hour to the changing vicissitudes of trade. Government ownership must be both creative and adaptive. Only the wants of business can be considered; action must not be hampered by questions of public policy or administration needs. Superiority of private control over that of a government is due to the greater incentive of the former; to the desire of gain, the fear of loss. Productiveness of property requires that it should adapt itself to every need; that its management should be far-seeing, prudent and wise. Government management is lacking in immediate concern; it is mechanical where it should be inventive; indifferent where it should have the fear of loss before its eyes; extravagant where it should be economical. Superiority of private management over that of government is not due to any natural superiority of the employees of the former over the latter, but to the fact that the former are impregnated with the spirit of the owner; are subject to his commanding presence, practical experience and exacting methods."

be so. Railroad monopoly can no more be regulated by restrictive law than railway engines can be held in check with cotton twine. The only possible method of abolishing railway privileges is the abolition of private ownership of railways."

A pregnant saying is ascribed to Roswell Miller, late president, now chairman of the board of directors of the Chicago, Milwaukee and St. Paul Railroad: "Unrestricted competition is the death of trade; restricted competition is the life of trade."

In the case of the Trans-Missouri Freight Association before the supreme court, the railroads held that the economic benefits of competition did not result in the railroad business, and that with them the law of competition worked hardship. The public was better served by agreements to make and keep reasonable rates, and Congress could not have meant by the anti-trust law to force railroads into disastrous competition. But the court decided it could not sanction this economic proposition, and declared the peculiarity of railroads made them specially subject to the anti-trust act.

George Gunton, editor of *Gunton's Magazine*, at Chicago Conference on Trusts:

"How do large corporations affect the interest of the farmers? There is probably no class in the community who derive more benefit from the economic improvements of large corporations than do the farmers. All the great improvements in tools, architecture, sanitation, domestic appointments, art, literature and general refinement, are the products of industrial centers where large capitalistic enterprises abound. Every form of commodity outside of food, which enters into the farmer's life has been immensely improved and greatly cheapened by the efforts of large corporations. Transportation, which is an important item in the farmer's economy, has been reduced 50 per cent during the last twenty-five years, as will be seen by the following table:

Average rate per ton per mile.		Average rate per ton per mile.	
Year.	(cents.)	Year.	(cents.)
1873	2.210	1886	1.042
1874	2.040	1887	1.034
1875	1.810	1888	0.977
1876	1.855	1889	0.970
1877	1.524	1890	0.927
1878	1.401	1891	0.929
1879	1.201	1892	0.941
1880	1.348	1893	0.893
1881	1.264	1894	0.864
1882	1.236	1895	0.839
1883	1.224	1896	0.806
1884	1.125	1897	0.798
1885	1.036	1898	0.953

"While the farmer has received all the advantages produced by large corporations in lower prices of everything he buys, and lower transportation, the price of what he sells has undergone very little fall, and of many products no fall at all, and some have even risen."

"Trusts have railroads by the throat, but a remedy may lie in pooling contracts."—Gen. Aldace E. Walker, *Forum*, May, 1899.

CONCENTRATION OF INDUSTRY IN THE UNITED STATES.

XIX.

What does the organization of trusts imply?

It implies an earlier stage of industrial development when labor and plant are being concentrated.

Has this concentration been going on in the United States?

Steadily and irresistibly.

How may it be shown?

It may authoritatively be shown from the testimony of the United States census, and, in this instance, from an article in the *Yale Review*, for May, 1898, by Wm. Franklin Willoughby, Department of Labor, Washington.

What are the three facts we shall discover in the following census data?

We shall discover that, by concentration, the number of factories grows less, the number of hands in each factory grows more, and the value of the product of these greater factories—of this concentrated production—grows greater.

How may we show the industrial concentration of thirty years up to 1890, the year of the last published census?

"A manufacturing establishment, according to the definition of the census, is any place in which products are manufactured during the year to the value of \$500. In the following table is shown, for all manufacturing industries combined, the number of establishments, the number of employes and the value of their product, as reported at each census, 1870, 1880, 1890, with a calculation of the average number of employes and value of product per establishment:

Year.	Establishments.	Employees.	Product.	—Per establishment—	
				Employees.	Product.
1870.....	252,148	2,053,996	\$3,385,860,354	8.15	\$13,428
1880.....	253,502	2,700,732	5,349,191,458	10.66	21,101
1890.....	322,638	4,476,884	9,056,764,996	13.88	28,071

Does concentration seem to throw out labor or increase the demand for it?

From this table, of value, as showing the most general features of the problem, it will be seen that, while the number of establishments increased scarcely at all during the decade from 1870 to 1880, or but 0.54 per cent, the number of employes increased 31.49 per cent, and the value of the product 57.79 per cent, and that while the number of establishments increased from 1880 to 1890 but 27.27 per cent, the number of employes and the value of the product increased over twice as fast, or 65.77 and 69.31 per cent respectively.

How does concentration show itself in forty years of manufacture of American textiles?

"The manufacture of cotton, woolen and other cloths is not only one of the most important industries of the country, but is, par excellence, a manufacturing or factory industry. This important group of industries we are able to trace during four successive decades:

Cotton Manufacture—			—Per establishment—	
Year.	Establishments.	Employees.	Product.	Employees. Product.
1850.....	1,094	92,286	\$ 61,869,184	84.4 \$56,553
1860.....	1,091	122,028	115,681,774	111.8 106,033
1870.....	956	135,369	177,489,739	141.6 185,659
1880.....	1,005	185,472	210,950,383	184.5 209,901
1890.....	905	221,585	267,981,724	244.8 296,112
Wool Manufacture—				
1850.....	1,760	47,763	49,636,881	27.1 28,203
1860.....	1,673	59,522	80,734,606	35.6 48,257
1870.....	3,456	119,859	217,668,826	34.7 62,983
1880.....	2,689	161,557	267,252,913	60.1 99,387
1890.....	2,489	219,132	337,768,524	88.0 135,705
Silk Manufacture—				
1850.....	67	1,743	1,809,476	26.0 27,007
1860.....	139	5,435	6,607,771	39.1 47,538
1870.....	86	6,649	12,210,662	77.3 141,984
1880.....	382	31,337	41,033,045	82.0 107,416
1890.....	472	50,913	87,298,454	107.9 184,954
Dyeing and Finishing—				
1850.....	104	5,105	15,454,430	49.1 148,600
1860.....	124	7,097	11,716,463	57.2 94,488
1870.....	292	13,066	44.7
1880.....	191	16,698	32,297,420	87.4 169,096
1890.....	248	20,267	28,900,560	81.7 116,535
Combined Textiles—				
1850.....	3,025	146,897	128,769,971	48.5 42,568
1860.....	3,027	194,082	214,740,614	64.1 70,942
1870.....	4,790	274,943	520,386,764	57.4 108,640
1880.....	4,018	384,251	532,673,488	95.1 132,572
1890.....	4,114	511,897	721,749,262	124.4 175,434

(At census of 1870 the value of fabric was given instead of value added to the material by dyeing and finishing, as at other census.)

How may the economic advantages of concentration be elucidated from the above tables?

"This table shows the steady and rapid movement toward the concentration of the textile industries in fewer establishments. In the case of the manufacture of cotton goods, the number of establishments was 189 less in 1890 than in 1850, a decrease of 17 per cent, while in the meantime the number of employes has increased 151 per cent and the value of the product 333 per cent. As a result the average number of employes per establishment has steadily increased, being 84.4 in 1850; 111.8 in 1860, 141.6 in 1870, 184.5 in 1880 and 244.8 in 1890.

"Concentration in the woolen industry has progressed with equal rapidity. In this case, however, the number of establishments increased until 1870, when there were 3,456 mills in operation, after which each decade witnessed a steady diminution in number, there being but 2,689 in 1880, or 767 less than in 1870, and but 2,489 in 1890, a still further loss of 200. The number of employes, on the other hand, has steadily increased. The average number of employes per establishment has thus increased in successive decades from 27.1 in 1850 to 35.6 in 1860; 34.7 in 1870; 60.1 in 1880, and 88.0 in 1890. In some particular branches of the woolen industry this concentration has proceeded at an extremely rapid rate. Thus, for example, the number of carpet mills, which in 1870 was 215, decreased in 1880 to 195, and in 1890 to 173. In spite of this decrease in the number of mills the number of employes increased from 12,098 in 1870 to 20,371 in 1880, and 29,121 in 1890. The average number of employes per establishment thus rose from 56.3 in 1870 to 104.5 in 1880, and 168.3 in 1890, a tripling in the average size of establishments during the period.

"In the manufacture of silk, and in dyeing and finishing, though the number of establishments has in general increased, the increase has not kept pace with the increase in the number of employes. In both industries, therefore, there is shown a concentration of work in larger establishments, the average number of employes per establishment in the silk industry increasing from 26.0 in 1850 to 107.9 in 1880, and in the dyeing and finishing industry from 49.1 in 1850 to 81.7 in 1890.

"Combining the four branches of the textile trade, it is seen that while the number of establishments increased during the

"The only way in which the United States can extend and hold its position in the world's markets for manufactured goods is by securing the advantages of highly developed machinery, which is only possible through centralized manufacture and aggregated capital. Subsidy seekers claim that 'trade follows the flag;' merchants know that trade follows the price and the flag follows the trade."—From address in Boston, May 25, 1899, by Charles R. Flint.

forty years considered but 36 per cent, the number of employes increased 248 per cent, and the value of the product 465 per cent. The average number of employes per establishment has thus steadily risen from 48.5 in 1850 to 64.1 in 1860; 57.4 in 1870; 95.1 in 1880, and 124.4 in 1890."

How do great industries tend to localize?

Localization, like concentration, has also been going on. Wool is now chiefly manufactured in Philadelphia, Pa.; cotton in Fall River, Mass.; silk in Paterson, N. J., and hosiery and knit goods in Cohoes, N. Y.

"The enormous growth in the wool manufacturing trade during the last twenty years has been entirely confined to eight states in the East, while in the remaining states there has been an actual loss of 45 per cent.

What did concentration do in ten years of iron and steel?

"The transformation in the methods of the manufacture of iron and steel, and the great variety of the products, prevents us from tracing the evolution of this industry in as complete a way as was done for the textiles. The following table shows the movement in the more important branches from 1880 to 1890:

Iron and steel—			—Per establishment—		
Year.	Establishments.	Employees.	Product.	Employees.	Product.
1880.....	1,005	140,978	\$296,557,685	140.3	\$295,082
1890.....	645	152,535	430,954,348	236.5	668,146
Iron and steel, bolts, nuts, washers and rivets—					
1880.....	100	5,064	10,003,330	50.6	100,733
1890.....	62	7,341	12,373,031	89.5	150,891
Iron and steel, doors and shutters—					
1880.....	6	223	495,060	37.2	82,510
1890.....	7	53	88,515	7.6	12,645
Iron and steel, forging—					
1880.....	91	3,210	6,492,028	35.4	71,341
1890.....	90	4,448	9,042,563	49.4	100,473
Iron and steel, nails and spikes, cut and wrought, including wire nails—					
1880.....	62	2,910	5,629,240	46.9	90,794
1890.....	138	17,116	34,227,517	124.0	248,025
Iron and steel, pipe, wrought—					
1880.....	35	5,210	13,202,162	148.9	379,776
1890.....	22	12,064	37,906,801	548.4	1,723,037
Total—					
1880.....	1,299	157,595	332,519,505	121.3	255,981
1890.....	984	193,567	524,592,775	196.7	533,123

From the above it is seen that the number of iron and steel mills proper has decreased from 1,005 in 1880 to 645 in 1890, while the number of employes has increased 11,557. In all classes of iron and steel works there was a decrease of 315 establishments and an increase of 35,972 employes. The average number

of employees per establishment thus increased from 121.3 to 196.7, and the average value of the product from \$255,981 to \$533,123.

Where are the country grist and saw mills of a generation ago?

In the milling industry concentration has been marked. In 1840 there were 23,661 grist mills and 31,650 saw mills. In 1880, with the settled area nearly twice that of 1840, and the value of its manufactured product seven or eight times as great, there were 24,338 grist mills and but 25,700 saw mills. The concentration in the decade from 1880 to 1890 was as follows:

Grist mills—			—Per establishment—		
Year.	Establishments.	Employees.	Product.	Employees.	Product.
1880.....	24,338	58,407	\$505,185,712	2.40	\$20,757
1890.....	18,470	63,481	513,971,474	3.44	27,827

Saw mills—					
Year.	Establishments.	Employees.	Product.	Employees.	Product.
1880.....	25,708	147,956	87,113,344	6.00	3,389
1890.....	21,011	286,197	172,111,957	14.00	8,192

Who is making the farmer's tools?

Concentration in tool manufacture is shown as follows:

Agricultural implements—			—Per establishment—		
Year.	Establishments.	Employees.	Product.	Employees.	Product.
1880.....	1,943	39,580	\$37,109,316	20.00	\$19,099
1890.....	910	42,544	49,668,386	47.00	54,581

How has concentration progressed in other great lines?

In shipbuilding in 1880 there were 2,188 establishments, in 1890 but 1,006, though the employees increased from 21,345 to 23,266.

In the production of malt liquors the number of establishments in 1880 were 2,191; in 1890, 1,248. The average number of employees increased from 26,220 to 34,800, and per establishment from 12 to 28. In the same decade the number of distilleries fell from 844 to 440, the average number of employees per establishment rising 50 per cent. In the manufacture of boots and shoes the number of establishments increased 6.28 per cent, and the number of employees 25.35 per cent.

How are concentration and stability of employment related?

Some years ago William F. Willoughby, author of the above data, had occasion to study labor problems at two of the centers of intense industrial concentration in Europe—the vast iron works of Krupp, at Essen, Germany, and the great colliery at Anzin. With more than 25,000 men concentrated at Essen, 21 per cent were found to have been continually employed over fifteen years,

23 per cent more than five years, but less than fifteen, and 44 per cent had been with the concern more than five years. In the Anzin colliery 12.32 per cent had been employed for thirty years, 27.83 per cent for twenty years, and 59.82 per cent for ten years or over.

THE TARIFF AND THE TRUSTS.

XX.

Having shown in the tables of the section on "The Concentration of Industries in the United States," the effect of concentration upon production and employment, can we not also show what capital and labor have done with their earnings, what use these vast products have been in tending to make of us an export and creditor nation, and what our standing in the nations is with respect to the possession of the two arms of dominion and prosperity, coal and iron?

Yes, we can show these things and more from the following table submitted by United States Senator Nelson W. Aldrich, of Rhode Island, at the fourth annual meeting of the American

This section offers authentic data by which to estimate the value of industrial concentration as an economic movement furthered by a protective tariff; at least an economic movement showing greatest results during the existence of a protective tariff. This section, also, contains an argument by a tariff reformer, that more potent than a protective tariff in building up our industries has been the multiplication of trusts and combinations of capital; and that only by a reduced tariff on raw materials will the American manufacturer eventually be able to get his share in the world's markets. The argument, therefore, is not to eradicate the trusts, but to deprive them of such tariff advantages as now gives them monopoly power.

Both the McKinley law of 1890 and the Wilson law of 1894, recognized that trusts must be dealt with more particularly than by customs rates, and each had special trust clauses. The act of 1894, touching import trade only, repealed the law of 1890, which prohibits trusts in interstate trade.—"American Economist," April 28, 1899.

At a dinner in New York, March 1, 1900, Charles R. Flint, a director in nineteen corporations, conspicuous in trade and shipping circles, a prime mover for commercial pan-Americanism, chairman of the Rubber Goods Manufacturing Company and treasurer of the United States Rubber Company, responded to the toast "The Open Door From an Industrial Point of View." In part he said: "The best evidence of the high wages paid in the United States is that the wage earners have at their command more cash than the so-called capitalists. The manufacturer owns bricks, mortar and machinery; the railroad magnate has rails and rolling stock; the landed proprietor has acres of timber and farm lands; the miner has mines; but the wage earners of the United States have on deposit in the savings banks, subject to their call, two billions, two hundred and thirty millions of dol-

Academy of Political and Social Science, which met at Philadelphia, April 19-20, 1900, report printed in Academy annals:

UNITED STATES.

	1890.	1899.	Percentage of increase.
Tons pig iron production.....	9,202,703	13,620,703	48.0
Tons coal production.....	157,770,963	240,000,000	52.1
Number cotton spindles.....	14,405,000	18,100,000	25.6
Consumption cotton, bales.....	2,325,000	3,632,000	56.2
Tons freight carried one mile....	79,192,985,125	114,566,173,191	44.6
Imports of raw silk, pounds.....	7,347,909	11,236,846	52.9
Transactions New York Clearing House	\$37,660,686,572	\$57,368,230,771	52.3
Deposits in national banks.....	\$1,594,200,000	\$2,450,700,000	53.6
Deposits in savings banks.....	\$1,524,844,506	\$2,230,366,954	46.2
Domestic exports, value.....	845,293,828	\$1,203,931,222	42.4

GREAT BRITAIN.

Number cotton spindles.....	43,750,000	45,400,000	4.9
Consumption cotton, bales.....	3,227,000	*3,519,000	9.0
Tons pig iron production.....	7,904,214	*9,305,319	17.7
Tons coal production	203,408,003	*220,301,058	11.2
Number persons engaged in all textile industries	1,084,631	1,051,564	**2.2
Domestic exports, value.....	\$1,281,377,000	*\$1,134,000,000	***11.5
Imports raw silk, pounds.....	1,961,281	*2,268,762	15.8

GERMANY.

Number persons employed in specified industries (1882 to 1895)	39.9
Domestic exports, value (1890 to 1898)	\$791,716,000	\$894,062,000	12.9
Tons pig iron production (1890 to 1898)	4,658,450	8,029,305	72.3
Tons coal production (1890 to 1898)	93,398,500	144,283,196	46.6
Imports raw silk, kilograms (1890 to 1898)	2,309,509	3,125,600	35.3
*1898. **Decrease, 1897. ***Decrease.			

lars, a sum of money the withdrawal of which would produce financial chaos.

"Our labor-saving machinery represents a productive force in the United States today of four hundred millions of people without labor-saving devices. The American workman has been elevated to the position of overseer, not of pauper labor, not of slaves, but of more than their productive equivalent, machinery. We have centralized manufacture so that we produce in one factory millions of the same article, justifying the construction of special machinery to manufacture it and the highest and best paid ability to direct it. We have thus reduced the cost of a rifle from fifty dollars to eight; of a sewing machine from thirty dollars to seven; of a watch from twenty-five dollars to five; of a suit of clothes from thirty dollars to ten.

"We have not the opportunity to enjoy the great technical education which Germany in a paternal way furnishes to its citizens. There the man of scientific research speaks from the professor's chair in the morning and

Note these facts: In 1899, for the first time, the production of coal in the United States exceeded that of Great Britain. In the past ten years we have expanded our pig iron production nearly one-half, added five times more cotton spindles than Great Britain, and increased our consumption of cotton six times more. Our exports increased over 42 per cent, while those of England increased but 11.8 per cent. The managers of the industries of Germany are making an aggressive warfare, and with all our intelligence and energy we have something to learn from their experience and success. The annual value of the manufactured products of the United States is \$2,000,000,000 greater than that of Great Britain and Germany combined. Reactionary tariff legislation in 1894, says Senator Aldrich, arrested our development to a considerable extent. Between 1894 and 1896 we averaged annually but 8,200,000 tons of pig iron; whereas, from 1896 to 1899 we averaged 11,700,000 tons. In the first period we consumed annually 2,500,000 pounds of cotton; in 1898 and 1899, 3,250,000 pounds. Under the tariff act of 1894 we exported in manufactures, for the three years ending March 1, 1896; an annual average of \$193,000,000; while for the three years ending March 1, 1900, under the act of 1897, the annual average was \$32,700,000. In the first period we imported ready for consumption an annual average of articles worth \$155,000,000; in the second period, \$103,000,000. In 1860 we imported 25 per cent of the

in the afternoon directs the engines of a factory. But we have what is more than its equivalent in the benefits of the exchange of views between the directing heads and arms of these large corporations, resulting in the American inventor, the American wage-earner and the American manufacturer forming together a vast constructive and expanding power in the industrial world. Of the exports of manufactured goods by the United States, over eighty per cent are the products of large organizations. When you go through New England and see how many of the small farms conducted by hand labor have been abandoned and then go west and see the great farms run by machinery, you realize that our ability to compete with other parts of the world, in agriculture as well as in manufactured products, depends upon invention and organization. This high standard of manufacture and distribution of products is brought about by these large organizations, thus enabling us to enter the markets of the world; without them we are powerless to enter the 'open door' and compete with cheap labor."

From daily paper, July 15, 1900: "Two of the largest exporting and importing houses in New York City have decided to consolidate. They are Flint, Eddy & Co. and the American Trading Company. The first named concern has a capital of \$3,500,000, and has extensive interests in Central and South America, Australia, Africa and the Philippines. The American Trading Company, with a capital of \$250,000, operates in the Orient generally. It is intimated that the joint capital of the amalgamated companies will be increased to something like \$10,000,000. It is understood that the new company will have for its first president Charles R. Flint. Especial attention will be paid to the China trade."

cottons we used, and 32 per cent of the woolens; in 1899, 3.4 per cent of cottons, and 5 per cent of wool, 1.4 per cent of clothing, and 6 per cent of manufactured iron and steel. In 1860 we exported in value \$316,000,000; in 1890, \$845,000,000; in 1899, \$1,227,000,000. In 1860 we exported in manufactures \$40,000,000, or \$1.25 per capita; in 1890, \$151,000,000, or \$2.41 per capita; in 1899, \$339,000,000 or \$4.46 per capita. In 1860 our exports of manufactures were 12.76 per cent of the total exports; in 1899 they were 28.21 per cent. Iron and steel manufactures increased from \$5,000,000 in 1860 to \$93,500,000 in 1899.

What do such statistics tend to show?

In the words of Senator Aldrich they disprove "the teachings of that class of political economists who confidently assert that there can be no normal growth of either domestic production or foreign trade in a country which has adopted a protective policy. Those who make the assertion are forgetful of facts and do not comprehend the nature of the policy. It is not a policy of exclusion, but of discrimination. It does not seek to arrest foreign commerce, but to direct its flow into profitable channels. It is not a policy of restriction, but of expansion—expansion through a better diversification of national industries and a more thorough organization and development of national forces."

Organization meaning combination—trusts—though not the latter essentially in monopoly sense, what has Senator Aldrich, an accomplished tariff student and statistician, to say about their part in our industrial evolution?

He says: "It is quite natural that our people, with a productive capacity in excess of their requirements, should seek an outlet for the disposition of their surplus, but in our commendable search for new markets for American products we should not forget, however, that it is still necessary for the continued prosperity of American manufacturers that they should retain the American markets, and that there should be no diminution in the purchasing ability of the American consumers from the present high level. This retention of domestic markets is rendered all the more imperative from the fact that under existing conditions many of our manufactures are only profitable when conducted on a large scale. We cannot overlook the fact that the strenuous contest for markets, enforcing a demand for cheaper methods and greater economies in production, is bringing about revolutionary changes in manufacture. A margin of profits is secured only by the savings in cost of administration and distribution, and by the use of better methods and stimulated improvements in machinery, rendered possible through largely increased production. I believe that in most cases where American manufacturers have wrested the control of the American market from foreign competitors the result has

been lower prices for the product throughout the world. In a great number of instances we have, by improved methods, by a much greater use of machinery, and by the superior skill and enterprise of our mechanics, reduced the cost of production in the United States to a point which has enabled us to sell our goods in neutral markets. The number of articles that we can successfully produce in competition with our industrial rivals is constantly increasing."

What does Prof. Jenks say of the relations of the trusts and a protective tariff?

"If one considers what the effect would probably be of the removal of the protective tariff in an industry in which a combination exists, one can readily see that, while the public might be benefited, the result would hardly be the prevention of monopoly. If the combination, as is ordinarily assumed, were stronger than the few independent competitors still in existence in the country, the first effect of the removal of the tariff would be the ruin of the independent producers. Provided the industry were dependent entirely upon the tariff for its existence, the removal of the tariff would of course kill the trust, but would at the same time kill the entire industry. The question of the wisdom of supporting an industry by the tariff is not in question. It might be wise to kill a certain industry, but it should be borne in mind that those who advocate the removal of the tariff for the sake of destroying the trusts do not ordinarily contemplate such an outcome. The removal of the tariff, whether the industry were dependent upon it or not, would certainly destroy the rivals of the trust before the trust itself would go out of existence. In either case, however, the consumer would, beyond question, for the time being, enjoy lower prices."—"The Trust Problem," by PROF. J. W. JENKS.

Upon the other hand, how may the disadvantages of a high tariff, and its relations to trusts be stated?

At the late meeting in Philadelphia of the Academy of Political and Social Science, addressed by Senator Aldrich, there was, among other speakers, C. R. Miller, editor-in-chief of the New York "Times," who discussed "the Next Steps in Tariff Reform." He made a representative argument for a reduced tariff on raw materials to enable the American manufacturer to hold the place he is winning in the world's markets; and for a cut in those schedules which protect trusts in charging undue prices.

What handicaps the American manufacturer in his fight for foreign markets?

"The American manufacturer's margin of profit and of opportunity in the world's markets is sensibly diminished by two factors of cost, high wages and taxed raw materials, both peculiar to our industrial system, and of which only the latter is subject to can-

cellation. The advantage which low wages gives to his foreign competitor he must meet, he has met, not by wage reductions, but by his genius for economical production, for the standard of comfort established by a high wage rate must be maintained. But the tariff policy which forbids or discourages an exchange of products with other nations and taxes him upon the very materials of his industry is, in the opinion of tariff reformers, unwise, injurious and dispensable. It hampers our industries, checks our commerce, retards the accumulation of national wealth, and diminishes the opportunity for the profitable use of capital and the regular employment of labor."

What is the first step toward reform?

"But when we are asked to indicate the next step in tariff reform we are confronted upon the one hand by a great party that fills quite the whole of the road with its imposing bulk and forbids that any step whatever in tariff reform shall be taken; while the other great party, under new leaders and devoted to other pursuits, has abandoned its ancient attachment to the cause of a tariff for revenue only. It is plain that the next step, like all the steps of the past, must be educational. The chief of party must be made to see the light of the new day, and the path to a broader market and richer opportunities must be brought plainly into the view of the great and small captains of industry."

What does the tariff reformer say when the protectionist "points with pride?"

"If the protectionist points to our immense and growing manu-

"It is true that the removal of the tariff in many instances by strengthening the competition from foreigners would simply bring about an international combination. At present there exists an international thread combination. Chairman Gates of the American Steel and Wire Company testified before the Industrial Commission that, during the summer of 1899, while abroad, he had several meetings with German wire manufacturers, who are also combined, for the purpose of seeing if it were not possible to form an international combination for the manufacture of wire, since the Germans at present are the most serious competitors of the Americans. The plan suggested was for the two countries to divide the world's markets in accordance with a fixed percentage, and to agree upon an increase in price. The difference of opinion as to the percentage of the markets which should be allowed to the Americans—Mr. Gates demanding fifty, while the Germans were willing to grant at the outside not more than forty-five—and further differences of opinion regarding the increase in price—he being content with an increase of \$10 per ton, the Germans wishing to secure one of \$30—finally made him distrustful, and resulted in the breaking off of the negotiations. The mere fact, however, that two powerful, even virtually monopolistic, combinations in two leading countries could in this way have progressed so far in negotiation, makes it perfectly evident that the pressure which might be brought to bear by the removal of tariff obstructions, or, in other circumstances, by the imposition of tariff burdens, might readily result in an international combination of some form."—"The Trust Problem," by Prof. J. W. Jenks.

facturing interests that now supply four hundred millions of our exports and says, 'This we have built by our tariff,' his old antagonist will only ask with due humility that some slight credit be given to the natural resources of the country and the productive genius of its people. He will not forbear, however, to invite the attention of the defender of the high-tariff policy to the influence upon our industrial development and our export trade of the most conspicuous and most deeply interesting economic phenomenon of our day, the amazing multiplication of trusts and great combinations of capital. There is the vital fact in our present commercial situation, there is the greatest creative force at work under present conditions to change the methods and shape the future of manufacturing in the United States. More potent than tariff protection, it has built up industries into which protection failed to breathe the breath of life. Whether this new industrial system be permanent or transitory we cannot say, nor can we say whether the people will conclude that its advent is for good or for evil."

What has produced the recent great increase in our exports?

"The great increase in our exports of manufactures in recent years has resulted from two conditions, large production and low prices. In the first place, we have had surplus goods to sell; in the second place, our prices were satisfactory to the foreign buyer. Why were our industries so productive, why were prices so low? Again the stern finger of fact points to the concentration of capital and ability as the chief cause of both phenomena. Concentration increases capacity and diminishes cost. An oversupply of the home market and an overflow into the foreign market follow necessarily. Our exports of manufactures in the fiscal year ending 1899 reached the unprecedented total of \$338,667,794. Of this export manufactures three-fourths in value were the products of industries dominated or controlled by trusts and combinations of capital. They tell us that it is the Dingley tariff that has raised our exports of manufactures to this great figure, amounting in the last fiscal year to 28.13 per cent of our entire export trade. Why not look the facts in the face? The tariff may glut the home market, but the tariff does not make low prices—there are no economies in it. It is saving of cost that makes the price, and the price makes the market."

Does our increase in manufactured exports coincide with the growth of trusts?

"It is only during the last four years that we began to congratulate ourselves upon the sudden prominence of manufactures in our tables of exports. Only during the last four years, and those are the years that have witnessed the formation of nearly all the trusts and combinations, the certificates of corporation of five-

sixths of which bear a date later than 1895. Manufactured exports increased from \$126,000,000 in 1875 to \$183,000,000 in 1895—twenty years to gain \$57,000,000. For the five succeeding fiscal years the figures are: 1896, \$228,571,178; 1897, \$227,285,591; 1898, \$290,697,354; 1899, \$338,675,558; and for the current year ending June 30 next \$400,000,000, according to the estimates—five years to gain \$172,000,000. The trusts and the Dingley tariff came hand in hand, of like age, devoted to like pursuits—the promotion of our productive industries. It is of no avail to lay stress upon the significant coincidence between the sudden growth of our export of manufactures since 1895 and the sudden multiplication of trusts and combinations in the same period, unless we heed the answer of the next question. What do these things mean? They mean that we have entered upon a new period in our industrial history, and that new economic conditions must be recognized in our laws and in our trade customs. We have come suddenly into full relations with the world and have not had time to put aside our homespun manners or don clothing fit for such grand company. We are giving a lawn party but have forgotten to take down the sign 'Keep Off the Grass.'

How will the foreign competitor get even?

"Wherever in these years of trade expansion we have sold manufactured goods in other markets, we have displaced a foreign competitor, either one actually in possession or one seeking to take possession. The weapon with which we have overcome him is low prices. Quality and other things being equal, the lowest price commands the market. Our manufacturers have been able to make a low price through labor-saving inventions and reductions in cost effected by concentration of industrial forces. But what are foreign competitors going to do, the manufacturers of England, France and Germany, whom we have robbed of a part of their market? Believe me, they will not give up the fight, they will do something to regain the lost ground. And on what they do hangs immediately the prosperity of our export trade in manufactures, and next the fate of our Dingley tariff. The foreign manufacturers will fight us with our own weapons—low prices. Skillful methods and a better understanding of the wants of their customers in the East, in Africa, and in South America, will serve them to some extent, but in the broad sense nothing will help them to reconquer the lost territory but the ability to undersell us."

What shall we do?

"Baffled by our old competitors using the arm of low prices to which they have long been accustomed, and by which they have, until recent years, kept us altogether out of many fields, what shall we do? There is but one resource—we must make lower prices,

we must undersell our competitors or lose the market. But how can we reduce prices?"

What economic role have the trusts played?

"The trusts and combinations have well nigh exhausted the resources of boundless capital, of human skill, and business ability in saving the last fraction of a cent of cost at every stage of every process they control. Their peculiar relations with railroads enabled them to command the lowest living rates for transportation of their products to the seaboard. You cannot reduce an irreducible minimum."

Where is the cut to come—in wages, profit or material?

"There are three other possible sources from which the potentiality of lower prices may be gained. They are, first, the pay roll—that is wages; second, the profits of capital, and third, the cost of material. The American manufacturer is most reluctant to seek to make himself whole at the cost of his men. He knows that wages are higher in this country than in any other in the world. He is painfully aware of the immense advantage that low wages, pauper labor, as we call it, confer upon his foreign competitor. But he knows, too, that well paid labor and a high standard of comfort for workingmen make for good citizenship and increase the demand for consumption in our home market. A reduction of wages is the last resource against business loss and then only as the alternative to shutting down the works. But there is the profit account. I need make no argument to convince you that the manufacturer will turn with no great gayety of heart to the expedient of reducing his own dividends. There is another way, the third resource—reduction in the cost of material. In that anxious moment of his quest for relief, there rises upon the vision of the hard-beset American manufacturer the towering heights of the Dingley schedules, beetling, black, disastrous; obstacles to his progress, the menace of his ruin. God help the protective tariff when the American manufacturer shall confront it in that terrible mood."

What will happen when the American manufacturer finds his foreign market gone?

"The dark and saddening stage of industrial depression, waste of capital, stagnation, and hard times. When our manufacturers begin to find themselves in turn displaced in their new-found foreign markets by cheaper goods made in Germany and elsewhere, they will not at once go to Washington to get the tariff reduced. They will continue to run their mills on full time and pile up unsold goods in the warehouses. Overproduction has one inevitable result—business loss. Picture the condition of trade stagnation, financial depression, contraction of credits, and business disaster

that would ensue upon the cutting off at the seaboard of any considerable part of the annual outflow of four hundred millions of our manufactured goods."

Will the tariff reform that will follow be sudden and abrupt?

"If apprehension is expressed that industries laboriously built up by the favor of protection, until they have come to possess the semblance of a vested right to a duty approaching or exceeding the unrighteous level of 71 per cent, will be ruined by a free trade foray on the tariff, I reply that no uneasiness need be felt. The influence of the protectionist sentiment is still too powerful at Washington over both parties to permit any abrupt and ruthless demolition of the tariff shelter. The danger is indeed of a too great reluctance, of a reform too deliberate in its movement. Against reductions demanded for the support of manufacturing interests that have shown energy and capacity for development, that have made them important contributors to the national wealth the plea in behalf of imbecile helplessness will not and should not avail. It is protection that is now demanded, protection for the American manufacturer against oppressive conditions that threaten his exclusion from the foreign market, upon which his prosperity depends; protection for the American workingman against the reduction of his wages, a calamity that will surely befall him if it be not averted by provisions made in other ways for the manufacturer's relief. The growth of our manufactured exports, whatever it may argue for the past of protection, destroys the argument for its future, for it demonstrates that we have established for the products of our industries a parity of price with foreign products. We are equals, and an equal demands no favors. The American manufacturer must have for his own protection, in his struggle with foreign competitors, the freedom to buy materials of his industry, not only in the cheapest market without artificial additions to cost, but he must have perfect freedom to choose his market."

How will the trusts be hit in the inevitable tariff revision?

"Those schedules of the tariff that put an added cost upon crude articles entering into the processes of manufacture, and on articles partly manufactured, that are the raw materials of other manufactures which give profitable employment to labor, are the lamb of the sacrifice. Upon them the manufacturer is going to ask that the hand of the reviser be laid. The people will ask somewhat loudly that it be laid also upon every duty in any schedule giving protection to a greedy trust or combination of which advantage is taken unduly to raise prices."

What about the revenue?

"There need be no fear about the revenue. That old cry has lost its potency since the business of the country has demonstrated

its capacity to yield three hundred millions of internal revenue, a tribute which it could increase without complaining of the burden; while the judicious reduction of the tariff schedules to the revenue point would provide the treasury with abundant income from customs derived from luxuries and those classes of imports upon which a just system of taxation permits a moderate impost."

"But the first step, the step immediately before us, is a completion of the educational process."

Daily paper, July 9, 1900: "Exports of provisions from the United States during the fiscal year just ended exceed those of any previous year. The total is \$180,000,000, thus averaging \$500,000 a day, and surpassing the phenomenal record achieved by that record-breaking year, 1899. For the eleven months ending with May, 1900, the total exports of provisions, including meat and dairy products, is \$166,707,834, against \$159,376,603 for the corresponding period of the fiscal year 1899. Of this large sum the principal items are:

"Lard, with a total export during the eleven months of \$38,691,000; bacon, \$35,478,000; hams, \$18,192,000; pork, \$9,459,000; oleomargarine, \$9,409,000; and beef, \$7,555,000.

"American beef is finding an enlarged market abroad, especially in the United Kingdom, France, Africa and the Orient. Comparing the exports of the eleven months ending with May, 1900, with those of the same months of 1899, it is found that the United Kingdom increases its purchases of canned beef from \$1,959,000 to \$2,937,000; France, from \$31,057 to \$117,254; while Germany showed a slight decrease, the value falling from \$281,942 in 1899 to \$241,568, representing a shrinkage of 500,000 pounds in the volume of exports.

"To Asia and Oceanica the increase was from \$158,000 to \$180,000, and to Africa from \$437,722 to \$1,033,700, representing an increase in quantity of export of more than 6,000,000 pounds over 1899.

"In the export of fresh beef the principal increases are to the United Kingdom, with a total of \$24,113,970, as against \$20,830,049 in 1899, and to the West Indies, which took in 1900 a total of \$389,039, as against less than one-tenth of that amount in 1899, when the total was but \$34,027. In hog products, including pork, hams, bacon and lard, no marked increases occur, the figures for 1900 scarcely equaling those of the previous year. The export trade in cheese is showing evidences of revival, the total for the eleven months showing an increase of 6,000,000 pounds, representing a value of over \$1,000,000 over that of last year."

For much more valuable matter, aside from the extracts from the addresses of Senator Aldrich and Mr. Miller, in the above section, see the published proceedings of the Annals of the American Academy, consisting of the contribution read at the April meeting of the academy on the subject of corporations and public welfare.

LAWS AND DECISIONS.

XXI.

"A great deal of the influence exercised by English and American courts has been due to the fact that they placed economic principles before both sides in a non-partisan version and in an absolutely clear light. There is some danger that the bench will lose this influence, partly because of the increasing complication of modern industry, which renders it difficult for a lawyer to understand the indirect economic effects of his decisions, partly on account of a somewhat dangerous doctrine of sovereignty, which is leading our courts to lay too much stress on precedent and statute, and too little on the common sense of the people. The authority of the court depends, not on the acts of the legislature, not even on uninterrupted tradition, but on the fact that it knows more than the parties between whom it is deciding, and can see the consequences of action more clearly, as well as more impartially, than they can."—From "Economics," by ARTHUR T. HADLEY.

How many states and territories have legislated on trusts?

Twenty-eight have passed statutes defining and regulating monopoly.

What has Congress done in the matter of combinations and trusts?

Congress has passed three acts: The so-called interstate commerce act of 1887, the anti-trust act of 1890, and an act of 1894 to prevent combination in foreign trade.

What states and territories have legislated on monopolies?

Alabama.	Mississippi.
Georgia.	Montana.
Indiana.	New Mexico.
Kansas.	North Carolina.
Louisiana.	Ohio.
Michigan.	South Dakota.

The contents of this chapter are mainly gathered from a digest prepared by Prof. J. W. Jenks for the Industrial Commission. Some new matter, however, has been added.

"There is no better evidence of the strength of the tendency toward consolidation than is furnished by the multitude of unenforced laws and decisions intended to prevent it."—Arthur T. Hadley on "The Formation and Control of Trusts," in "Scribner's" for November, 1899.

Tennessee.	Missouri.
Utah.	Nebraska.
Arkansas.	New York.
Illinois.	North Dakota.
Iowa.	Oklahoma.
Kentucky.	South Carolina.
Maine.	Texas.
Minnesota.	Wisconsin.

What states denounce trusts in their constitutions?

Colorado.	Connecticut.
Idaho.	Kentucky.
Michigan.	Mississippi.
North Dakota.	North Carolina.
South Dakota.	South Carolina.
Texas.	Tennessee.
Washington.	Utah.

In what states has public sentiment been declared against monopolies only by court decisions under the common law?

California.	Massachusetts.*
New Jersey.	Pennsylvania.
Rhode Island.	

What is the common law?

The common law is the law not made by parliaments, congresses and legislatures, but the unwritten law of English-speaking

Von Halle, in his work on trusts in the United States, reports that by the end of 1894, twenty-two states, one territory, and the federal government, had passed anti-trust laws.

After the presidential elections of 1896 there was much legislative activity against trusts. In the winter of 1896-97 anti-trust laws were passed by Georgia, Indiana, Wisconsin, South Carolina, Arkansas, New York, Nebraska, Tennessee, North Dakota and South Dakota. The Georgia act was very sweeping. New York investigated and passed two bills. In Chicago there was agitation against department stores.

"Legislative bodies always follow progress, they never lead it. They pose as conservatives, but their conservatism consists for the most part of a very high and uncomfortable collar, beneath which there is no shirt. Selfish ignorance is the word—not conservatism. Legislators do not try to educate or inform their constituents, their sole object being to secure re-election. Their play is to cajole and pacify, hence legal restrictions are often fastened upon organized industry primarily through the sheer ignorance of the masses, and secondly through the truckling selfishness of their representatives."—F. W. Morgan in "Great Problems in Organization," "Cosmopolitan," April, 1899.

*In 1892 the Massachusetts legislature directed its United States Senators and Representatives to work for a law prohibiting combinations raising the price of coal.

peoples; the law made of principles and rules that are found in court decisions, the opinions of writers and commentators, and the customs of centuries.

Then the common law is a perpetual safeguard of the weak against the strong?

Yes, so far as it goes. Many states have found the common law sufficient protection against the evils of monopoly, and many courts have found the common law sufficient to cope with monopolies even when anti-monopoly statute laws were at hand.

What is next in importance to a law?

Its interpretation and application by a court of justice.

Have the federal anti-combination acts been well tested in the federal courts?

Yes.

What was the Pullman case?

The great Pullman and railroad strike* of 1894, the case being that of the United States vs. Debs et al. The United States Circuit Court held, December 14, that the trust act forbids com-

*Eugene Debs and others—officers and directors of the American Railway Union—being managers of the strike, were restrained from committing certain acts, by an injunction issued July 2, 1894, by United States Circuit Judge Woods and United States District Judge Grosscup, sitting in the Northern District of Illinois. On July 17 an information was filed by United States District Attorney Milchrist, alleging the disregard of the injunction by Debs and others constituted contempt of court. On August 1 another information of similar purport was filed. Judge Woods tried the case, adjudged Debs and associates in contempt of court, and sentenced Debs to six months' imprisonment in Woodstock jail, and the others to three months. Debs and others then petitioned the supreme court of the United States for a writ of habeas corpus, alleging through their attorneys, Lyman Trumbull, S. S. Gregory, Edwin Walker and Clarence S. Darrow—all of Chicago—that Judge Woods had neither authority nor jurisdiction to issue the injunction which the petitioners had ignored. The attorneys for the petitioners argued that the government had no right to invoke the aid of a court of equity to protect public rights and interests, and no right to appeal to chancery in aid of public commerce. The anti-trust act, it was argued, did not apply to the case in hand, and if it did, then the act was unconstitutional. A court of equity had no power under an assumed jurisdiction to issue injunctions and punish for contempt to execute a criminal law, and deprive persons of liberty without jury trial. The injunction had been issued without notice, and the petitions were at liberty to disregard it. Richard Olney, Attorney General of the United States, appeared for the government, defending the lower court, that had issued the injunction, in its assumption of jurisdiction. The supreme court, passing only upon this point, and not upon the constitutionality of the anti-trust law, which had been invoked to restrain Debs and others, dismissed the petition, and suffered the petitioners to finish their terms in jail. In his argument, the attorney general said: "Can there be a doubt that an invasion of property rights and interests which justified the interposition of a court of equity as against one man or two men legally justifies the like interposition when the like invasion is participated in by a hundred or thousand men."

binations of labor in restraint of commerce as much as it does combinations of capital.

What was the case of the New Orleans draymen?

In the case of the strike of the New Orleans draymen in 1893, the Circuit Court held, March 25, that if a combination affects interstate commerce it falls within the trust act whether it be a combination of capital or labor.

In what late decision was the constitutionality of the Illinois law of 1893 passed upon?

The case of the Union Sewer Pipe Company vs. Connelly, decided in the United States Circuit Court, Northern District of Illinois, January 29, 1900, was a suit to collect for sewer pipe bought. Defendant claimed the pipe company was a combination in restraint of trade, contrary to common, United States, and Illinois law. The court held for the plaintiff, and declared the trust law of Illinois unconstitutional and void. (See Appendix.)

Why has the United States Circuit Court declared the trust law of Illinois unconstitutional?

Because the statute of July 1, 1893, exempts "agricultural products or live stock while in the hands of the producer or raiser," and this is both class and special legislation, and in contravention of the constitutions of the United States and Illinois.

What was the point made by the United States Supreme Court in the sugar trust case?

In the case of the United States vs. The American Sugar Refining Company, a New Jersey corporation controlling the sugar refineries of the United States, and having bought stock in four Philadelphia refineries, thus securing a monopoly, the Supreme Court, January 21, 1895, held that if it should regard sugar refining a part of interstate commerce, some sugar being used in the state and some outside, it would concede to the United States, under its grant to regulate commerce between states, the control of nearly all the business within the states. There was nothing shown the court indicating an intention to put a restraint upon trade, and the fact that trade might indirectly be affected was not enough to cause the court to have the purchases set aside. (See Appendix, Justice Harlan's dissenting opinion.)

How have the Standard Oil and the Texas law collided?

The trust law of Texas was tested and decision given by the United States District Court, February 22, 1897. John D. Rockefeller and others had been indicted under a law making it criminal even for persons outside the state, but who act within the state, to unite to raise or lower prices or limit the production of an article. But the law, Texas having vast agricultural and live stock interests, exempted such property while in the hands of

raiser or producer. The court held the law unconstitutional because aimed at people outside of the state, and because prohibiting reasonable combinations. Moreover four-fifths of the people of Texas were farmers and cattle raisers, and a law that exempted such a proportion as that was unreasonable class legislation.

How does the federal anti-trust act apply to railroads?

An important decision governing railroad combinations was that of the United States vs. The Trans-Missouri Freight Association, given by the supreme court, March 22, 1897. The association was a large number of railroads which agreed to establish and maintain rates on all freight traffic. The railroads pleaded that the trust act was not intended to apply to railroads because the interstate commerce act implied the right of the railroads to fix rates, and if Congress had meant to change the commerce act by the trust act it would have said so. The railroads further claimed that the trust act does not apply to reasonable restraint of trade, and that their agreement provided for reasonable restraint only. The court held the commerce and trust acts were consistent with each other, and that the trust act applied to railroads as if there were no commerce act. What is more, the court could not confine the act to contracts in unreasonable restraint of trade, but to every contract in restraint of trade. So the injunction was proper. (See Appendix, Justice Peckham's opinion.)

What case shows the status of trade exchanges?

In the case of the United States vs. Hopkins et al., the supreme court, October 24, 1898, disagreeing with the circuit court, September 20, 1897, decided a matter of importance to live-stock interests. The defendants were the Kansas City Live-Stock Exchange, making certain agreements about commissions and agents, and providing that no member should do business with a non-member. The circuit court held that in receiving from and shipping stock to foreign states the defendants were in interstate commerce, and their agreement was in restraint of it. They were therefore enjoined. The supreme court unanimously discharged the bill of the lower court, holding the business of the Kansas City Live-Stock Exchange was not interstate commerce, declaring that facilities or services furnished in connection with interstate commerce are not part of that commerce, and agreements or combinations to fix or maintain charges for such assistance are not within the trust act.

In what railroad case did the supreme court repeat its declaration about agreements preventive of competition?

The bearing of the trust act upon railroad agreements is well shown in the case of the United States vs. Joint Traffic Association, decision being given by the supreme court October 29, 1898. This association, comprising thirty-one railroad companies operat-

ing between Chicago and the Atlantic, united to fix rates, apportion business, all without violation of any law believed applicable. Every company was to follow the schedule fixed by the association, though any company on thirty days' notice might, so far as its interests were concerned, reject the association's rates. The bill seeking that proceedings under the agreement be enjoined was dismissed by the circuit court and by the circuit court of appeals. The supreme court, reversing the judgments of the lower courts, and remanding the case with instructions to conform with its opinion, held that the natural, direct and necessary effect of the association's agreement was to prevent competition. The agreement was contrary to the general law of competition, and Congress is vested with the power, in regulation of interstate commerce, to declare that no contract or combination shall be legal which restrains trade by shutting out the operation of this same general law of competition.

In what case was the status of the old whisky trust passed upon by a federal court?

The status of the old whisky trust under the anti-trust act was determined in a suit decided in the United States court of the northern district of Ohio, June 11, 1892. The case was *United States vs. Greenhut et al.*, in re *Corning et al.*, and was heard on an application for a warrant to remove the defendants to Massachusetts.

Before the trust act of 1890 was passed the whisky trust had leased or bought some seventy distilleries throughout the country, and in their 77,000,000 gallons made three-fourths of the product in the United States. Greenhut and others were indicted, they having continued the trust after the act was passed. It appeared that the trust shipped to dealers in other states, in the case at bar to Massachusetts, to be sold under promise by the trust that if the dealers should purchase exclusively of the trust, and should sell not below certain prices, the trust would pay the dealers 5 cents a gallon on all purchases. By this means it was charged the defendants had controlled and increased the price of distillery products in Massachusetts. The court held that no crime was charged with respect to the purchase or continued operation of the distilleries, since it was not charged that the defendants obligated the vendors of the distilleries not to build others, or to withhold their capital or experience from the business. Furthermore, no crime was charged with respect to the sales, because there was no charge of any contract whereby the purchasers bound themselves not to purchase from others, or not to sell at less than list prices. In short, the court held that the combination was insufficient to make out the crime of monopoly, in the common law sense of the word; and insufficient

to make out a conspiracy to monopolize any part of the trade or commerce between the states.

How is the jurisdiction of the federal anti-trust law shown in the Addyston case?

The United States vs. Addyston Pipe and Steel Company et al, was the case of the people against six cast iron pipe companies which sold pipe in thirty-six states, and which had combined with agreement not to compete. Contracts were passed on by a joint committee, the job going to the company giving the largest bonus, the other companies putting in higher bids for a pretense at competition. The circuit court, 1897, found no restraint of trade in the agreement and dismissed the bill. The circuit court of appeals, sixth circuit, found in the agreement power to charge unreasonable prices, and so reversed the decree of the lower court, and enjoined the company from maintaining the combination. The supreme court, Dec. 4, 1899, modified the decree of the lower court so far as it enjoined the defendants from combining on contracts to sell in their own state, but affirmed the decree as to combination or agreement interstate in character. (See Appendix, Justice Peckham's opinion.)

To what, therefore, does the constitution limit federal legislation in control of combinations?

Although the jurisdiction of Congress over commerce among the states is full and complete, it is not questioned that it has none over that which is wholly within a state, and therefore none over combinations or agreements so far as they relate to a restraint of such trade or commerce. It does not acquire any jurisdiction over that part of a combination or agreement which relates to commerce wholly within a state by reason of the fact that the combination also covers and regulates commerce which is interstate. The latter it can regulate, while the former is subject alone to the jurisdiction of the state.—From opinion of United States supreme court in Addyston case.

What public utterance by a government officer, in 1899, reminded the people that the federal anti-trust law could not do as much as was popularly supposed?

A letter written in March to a private citizen by Attorney General Griggs, informing him that the constitutionality of the law had been confirmed soon after the law passed, and further explaining its limitations as follows:

"The Sherman trust act does not give to the federal courts jurisdiction over any combination constituting a restraint and monopoly of trade unless such trade is what is known as interstate or international trade and commerce. A combination or trust for the purpose of maintaining a monopoly in the manu-

facture of a necessary of life is not within the scope of the Sherman act, and cannot be suppressed by the federal courts. This was decided in 1894 in the case of the United States against the combination of sugar companies.

"As a matter of fact all the companies which you refer to as now organizing for the purpose of securing complete or partial monopoly of different branches of manufacture are similar to the sugar combination, and are not within the jurisdiction of the federal courts. If amenable to any law they are amenable to the laws of the respective states. This department never hesitates to prosecute unlawful combinations, which affect interstate commerce, and if you will examine the reports of the federal courts you will find very many cases of such prosecution, some effective and some ineffective.

"It is a popular error to assert that the attorney general of the United States has control of the corporations or combinations which engage in manufacture in the various states. This is entirely a matter of state control, and unless the functions of interstate commerce are interfered with, I would be superfluous to attempt a crusade against affairs with which I have no business. With reference to these large combinations of capital which are now forming, my own judgment is that the danger is not so much to the community at large as it is to the people who are induced to put their money into the purchase of the stock."

In harmony with this principle, what have the states done?

More than half have passed anti-combination laws, while others look for protection to the common law.

What are some noteworthy trust cases that have been tried in the state courts?

Under the Arkansas anti-trust statute, 1899, which was addressed to combinations at large, the attorney general brought suit against 150 foreign insurance and manufacturing companies for forfeiture of privileges. The supreme court held that where a criminal or penal statute does not purport to have been intended to have an extraterritorial operation it must be held to apply only to offences committed within the state. The attorney general dismissed all of the pending suits. It should be added that, as soon as the statute was passed, the foreign insurance companies discontinued business until their liability under so severe a statute could be determined.

What are noteworthy Illinois cases?

Under the Illinois law have been tried the cases of Ford et al. vs. Chicago Milk Shippers' Association; The Distilling and Cattle Feeding Company vs. The People; Levin vs. The Chicago Gas, Light and Coke Company et al.; The People vs. The Chicago

Live-Stock Exchange; Andrew Bishop vs. American Preservers' Company; Harding et al. vs. American Glucose Company et al.; Union Sewer Pipe Company vs. Connelly.

Common law decisions in Illinois are: Craft et al. vs. McConoughy; The Chicago Gas Light and Coke Company vs. The People's Gas Light and Coke Company; The People, represented by Francis B. Peabody, vs. The Chicago Gas Trust Company.

What was contended and decided in some of these cases?

In 1891, before and after the anti-trust law went into effect, the Chicago Milk Shippers' Association, which fixed a minimum price in Chicago, was supplying milk to one of its members, who refused under a provision of the law to pay for the milk received after the law became effective. The dealer being sued, pleaded violation of the anti-trust law, and the defendant did not recover for milk supplied.

In the case of Andrew Bishop v. the American Preservers' Company, opinion given by the supreme court of Illinois, April 1, 1895, it was held that an agreement providing for the welding together of all the interests engaged in a certain business into one giant combination or partnership, under the absolute dominion and control of a board of trustees, is void, as contrary to public policy. Furthermore, it was held that a corporation cannot enter into partnership; and that a foreign corporation, insofar as it is doing business in Illinois, through any control which it exercises over a business transferred to it by a resident of Illinois, is subject to the same restrictions and duties as corporations formed in the state, and cannot operate as a member of a partnership of corporations.

Why was the whisky trust dissolved by the supreme court of Illinois?

The case of the Distilling & Cattle Feeding Company v. the People was the case of the whisky trust on appeal to the supreme court of Illinois from a decision in the circuit court of Cook county, in which it had suffered judgment ousting it from its franchises. The supreme court rendered opinion, June 13, 1895. On May 10, 1887, five Illinois corporations, one Missouri, one Ohio, and a copartnership and an individual also of Ohio, organized the Distillers' & Cattle Feeders' Trust. The trustees were William H. Hobart, George K. Duckworth, Lewis H. Green, Peter J. Hennessy, Alfred Davis, Joseph B. Greenhut, Warren H. Corning, Adolph Woolner and John H. Francis. Within one year from above date eighty-one different distilleries—twenty-two being in Illinois—were drawn into the combination. In February, 1890, the trust became converted into an Illinois corporation called the Distilling & Cattle Feeding Company, with capital stock of \$35,000,000, which was subscribed in full by the nine trustees of the original trust. In November, 1892, the new corporation controlled the production of 95 per cent of the high-

wines, spirits and alcohol made in the United States. The trust having perverted its powers and franchises by thus setting up a monopoly the state of Illinois proceeded against it.

In its opinion the court said: "Combinations of this character have been frequently made the subject of judicial investigation within the last few years, and while the proceeding has most generally been against some one of the corporations entering into the trust, the courts, so far as they have had occasion to speak on the subject at all, have held such trusts to be illegal." The court cited *State v. Nebraska Distilling Company*, *State v. Standard Oil Company (Ohio)*, *People v. North River Sugar Refining Company (New York)*, *Richardson v. Buhl (Michigan, Diamond Match)*, and remarked that "trusts of the character of the one existing prior to the organization of the defendant corporation are against the policy of the law, and are therefore illegal and void. The trust being repugnant to public policy and illegal, it is impossible to see why the same is not true of the corporation which succeeds to it and takes its place. The control exercised over the distillery business of the country—over production and prices—and the virtual monopoly formerly held by the trust, are in no degree changed or relaxed, but the methods and purposes of the trust are perpetuated and carried out with the same persistence and vigor as before the organization of the corporation. There is no magic in a corporate organization which can purge the trust scheme of its illegality, and it remains as essentially opposed to the principles of sound public policy as when the trust was in existence. It was illegal before and is illegal still, and for the same reasons. The judgment of ouster is clearly warranted."

Levin (1896), holder of trust stock in six consolidated gas companies, wanted to break up the arrangement. He was told he himself had broken the trust law and therefore had no grounds for complaint.

The Chicago Live-Stock Exchange had a by-law limiting solicitors and commissions. It was charged with having exceeded its corporate powers. The by-law was declared by the court a restriction on trade and business.

In what case was the sovereignty of Illinois emphatically proclaimed?

In 1897 six glucose companies, one of them being a New Jersey corporation, the American Glucose Company, operating in Illinois, incorporated in New Jersey the Glucose Sugar Refining Company. To this company the six deeded their properties, and agreed for a certain time not to manufacture in the corn belt, where alone it could be done with profit. Stockholders in the American asked to have the contract annulled. The defendants said the arrangement was legal because the American had sold its property and not put it into a trustee's hands; that the agree-

ment to go out of business in the corn belt was only in partial restraint of trade and therefore valid, and that the American being a New Jersey company, and breaking no New Jersey law, the laws of Illinois did not apply to prevent it. The supreme court of Illinois, October 19, 1899, setting aside the arrangement between the American Glucose Company and the Glucose Sugar Refining Company, as one from the conditions of the business in total restraint of trade, in part said:

"Any combination of competing corporations for the purpose of controlling prices, or limiting production, or suppressing competition, is contrary to public policy and void. It makes no difference whether the combination is effected through the instrumentality of trustees and trust certificates, or whether it is effected by creating a new corporation and conveying to it all the property of the competing corporations. * * * Citizens of Illinois cannot evade the laws of Illinois passed against trusts and combines, and defy the public policy of the state, by going into a foreign state and chartering a corporation to do business in this state in violation of its laws."

What common law decisions have the Illinois courts made affecting Chicago gas companies?

The Chicago Gas Light & Coke Company, and The People's Gas Light & Coke Company divided the business of Chicago. One company broke its contract and the other asked an injunction. The court held (1887) that contracts in partial restraint of trade are valid, but not between corporations doing a public business. This contract was injurious to public interests, and the

How a trust may be run, with an eye to the preservation of the goose as well as the golden egg, may be seen in the following statement made by President Matthiessen, at the annual meeting, in 1898, of the stockholders of the Glucose Sugar Refining Company: "There is not at this time a bushel of corn being ground by any concern except those in our company. We do not intend to pursue the policy of making spectacular profit in the beginning and dwindling at the end. We are in business for a long pull. For instance, on a ten-year run we might have raised prices, make \$5,000,000 the first year, \$2,500,000 the next, \$1,000,000 the next, and down to nothing at the end of ten years. It is better business to be moderate and earn \$2,000,000 a year for ten years, which would be \$20,000,000 in profits, against a loss of \$10,000,000 the other way. We did for a short time make the mistake in the beginning of putting the price too high, but it did not last long. If we had maintained that policy, we would have had sixteen or seventeen competitors, against none as it is now."

Condensed from "Economist" (Chicago), November 18, 1899: The policy of Illinois toward corporate enterprises requires a definite answer. The decision in the case of the Glucose Sugar Refining Company has made this clear to thoughtful people. What will be the consequences of this decision upon all corporate affairs in this state: Already it is evident Illinois is at a decided disadvantage in competition with other states.

court declared it void and refused an injunction. The facts in the case of the Chicago Gas Trust Company were that by charter it had the right to take in other companies, and that it did buy a control of all the gas companies in Chicago. The court held that such a consolidation prevented competition in a business of a public character, and was therefore monopolistic, opposed to public policy, and unlawful. The company had no charter rights to accomplish such a monopoly, and all acts to this end were void.

How did an Indiana court apply the principle that competition is the life of trade?

Two gas and oil companies, in Portland, Ind., had combined, agreeing that neither would serve anyone who had withdrawn patronage from the other. The court (1899) decreed that their charters be forfeited, and said: "It is an old and familiar maxim that competition is the life of trade, and whatever act destroys competition, or even relaxes it, upon the part of those who sustain relations to the public, is regarded by the law as injurious to public interests, and is therefore deemed to be unlawful on the grounds of public policy. Where the facts disclose that a corporation has failed in the discharge of its corporate duties by uniting with others in carrying out an agreement, the performance of which is detrimental to the public, it thereby may be said to offend against the law of its creation and consequently to forfeit its right longer to exercise its charter."

What was the case of the Chicago "Inter Ocean" against the Associated Press?

The case of the Inter Ocean Publishing Company vs. The Associated Press Company grew out of the fact that the Inter Ocean took the service of the Sun (New York) Printing & Publishing Company as well as the Associated Press. Under a by-law of the Associated Press the latter had reserved the right to suspend or fine a member which had received news from any source declared antagonistic to the Associated Press. The service of the Associated Press that had been supplied the *Inter Ocean* was ac-

Many of the so-called trusts that would naturally locate here have chosen New York, and new corporate enterprises are not starting up in and around Chicago. The reason for this preference for the East is believed to be the unfriendliness of Illinois courts and legislators toward the so-called trusts. It is a fair question whether a change should not be made in our laws so as to put us on an equality with other states in competition for business. Of course, if it is essentially wrong to encourage the organization of companies and combinations, that settles it; but this appears to be a question, not of right or wrong, but of expediency. Business men are thinking this question over, and it is time the employe should grasp the idea that conflict with the leaders of corporate enterprise is not to his advantage.

cordingly withdrawn. The court decided that this by-law, which sought to prevent members of the Associated Press furnishing news to or receiving news from a hostile corporation, was not required for its corporate purposes, nor included within the purposes of its creation. The Associated Press was therefore ordered to restore its news service to the *Inter Ocean*.

How has the Illinois supreme court expressed the doctrine of public interest?

This decision, reversing decrees of lower courts, was given February 19, 1900. The court held, after instancing the business of a telegraph or telephone company as public in nature, and not permitted to indulge in discriminations against persons or corporations:

"Where one is the owner of property which is devoted to a use in which the public has an interest, he in effect grants to the public an interest in such case, and must to the extent of that interest submit to be controlled by the public for the common good as long as such use is maintained. The manner in which it is devoted to a use in which the public has an interest may be very diverse, and the public interest in such use may be of a widely variant character; but where the use is one in which the public is interested or has an interest, public control is necessary for the common good. (*Munn vs. People*, 94 United States, 113. In the matter of the state fixing elevator charges.)

"The clause of the contract in this case which sought to restrict appellant (*The Inter Ocean*) from obtaining news from other sources than from appellee (Associated Press) is an attempt at restriction upon the trade and business among the citizens of a common country. Competition can never be held hostile to public interests, and efforts to prevent competition by contract or otherwise can never be looked upon with favor by the courts. In *People vs. Live-Stock Exchange*, 170 Illinois 556, it was said: 'Efforts to prevent competition and to restrict individual efforts and freedom of action in trade and commerce are restrictions hostile to the public welfare not consistent with the spirit of our institutions and in violation of law.'

"Public policy requires that corporations, in the exercise of powers, must be confined strictly within their charter limits, and not be permitted to exercise powers beyond those expressly conferred. The by-law of the appellee corporation is not required for corporate purposes nor included within the purposes of the creation of that corporation. To enforce the provisions of the contract and this by-law would enable the appellee to designate the character of the news that should be published, and whether true or false, there could be no check on it by publishing news from other sources. Appellee would be powerful in the creation

of a monopoly in its favor, and could dictate the character of news it would furnish and could prejudice the interests of the people."

What did a Louisiana court say to Gould and Huntington?

The Texas and Pacific Railway Company (Jay Gould) and the Southern Pacific Railway Company (Collis P. Huntington) met in a Louisiana court in 1889. The two had pooled freight business between competing points, and the latter owed the former about \$500,000. It refused payment on the ground that the contract was void. The court, under the common law, declared the parties quasi-public agencies, with no right to make contracts tending to injure the public. The court characterized the case in these words:

"On ascertaining the building is infested with the disease of illegality, the judge simply refuses to enter its portals, and retires without incurring contact with any of its inmates, and without attempting to examine into or to rectify any rights or wrongs which may exist between the inmates of the polluted households. He leaves them quietly where they have placed themselves, and he turns a deaf ear to any equities which one of the parties may invoke against the others."

How did the supreme court of Michigan characterize the Diamond Match trust?

In 1889 the supreme court of Michigan voluntarily construed a contract made by the Diamond Match Company, the case being David M. Richardson vs. Christian H. Buhl and Russell A. Alger. The company was organized in 1880 to combine all match manufacturies in the United States and Canada. Neither party was contesting the legality of the contract. The court's opinion, governed by the common law, was that the combination was monopolistic, intolerable and unlawful, and that the contract so construed was void as against public policy.

How have the lead trust and insurance companies fared in Missouri?

The National Lead Trust, having taken out a New Jersey charter and bought out the old trust, paying in stocks, locked horns with the anti-trust law of Missouri in the St. Louis court of appeals, decision being given May 2, 1899. The corporation had sued a St. Louis dealer for value received. The defendant pleaded the Missouri law, with its provision relieving him from the price of the goods. The court would have no shifting of responsibility by a change of corporate form. It held that if the first trust was unlawful, so was the new corporation seeking the same end. It said: "A combination which is illegal under the anti-trust law cannot be operated under the cloak of a corpora-

tion by its constituent members or governing bodies." A new trial was granted.

How has anti-trust legislation affected insurance companies?

Considerable legislation has been directed against combination among insurance companies. The State of Missouri had a case decided under its trust law, June 30, 1899, against the Firemen's Fund Insurance Company et al., defendants being seventy-three insurance companies organized to fix rates. The insurance companies were badly beaten. They were ousted of all rights, privileges and franchises held under Missouri laws, and of their certificates to do business, and were made to pay the costs of suit.

What are two characteristic New Jersey cases?

In 1897 New Jersey tested the legitimacy of one of its own children, the American Tobacco Company, absorber of five cigarette companies operating in New York, North Carolina, and Virginia. The trust was formed before the passage of the federal act in 1890. Its business in New Jersey was to sell cigarettes to jobbers who agreed to sell for no other manufacturer. This method was called restraint of trade, and the attorney general sought to enjoin. Under the common law, New Jersey having no anti-trust law, the court held that if the corporation was not legal the remedy to declare its charter void was not in equity but at law. If it was legal, it had the same right as an individual to do business, and clearly an individual had the right to make any contract the defendant had made. The bill was dismissed.

In another case in New Jersey a corporation bought enough potteries to control the market in a certain ware. Their promise was secured to keep out of business for fifty years except in Nevada and Arizona. One of the manufacturies that had agreed to quit resumed business, and an injunction by the Trenton Potteries Company was asked. The court of chancery found undue control of the market in such agreement and would not assist; the court of errors and appeals held that the legislature had given corporations the power to control other corporations, and that the court had only to decide whether the restraint of trade the plaintiff had secured was reasonably required for self-protection. The court decided that in New Jersey, being the territory of the seller's business, the contract should be enforced; for the country at large the injunction was refused.

What has New York done in punishment of combinations?

Under its statute laws there has been found little or no protection for people entering combinations to prevent competition.

What important common law decisions have been given against combinations in New York courts?

The best known was given in 1890, in the case, to forfeit char-

ter, of the People of the State of New York vs. The North River Sugar Refining Company. Its stockholders, with those of other sugar refining companies, had formed a trust by turning their stock over to a common board and taking trust certificates. The stockholders believed the trustees would become the only stockholders known to the law. The trustees became managers and distributed profits to holders of certificates pro rata. The North River Sugar Refining Company claimed that the acts of its stockholders could not be imputed to the company, but if they could be they were legal. The case was heard by the circuit court, the general term of the supreme court and the court of appeals. Each court held that stockholders could not shield themselves behind a figure of speech called a corporation, and that the defendant corporation had entered a combination in part designed at least to create a monopoly. In its opinion the court of appeals said:

"The state gave the franchise, the charter, not to the impalpable, intangible, and almost nebulous fiction of your thought, but to the corporators, the individuals, the acting and living men to be used by them, to redound to their benefit, to strengthen their hands and add energy to their capital. If it is taken away, it is taken from them as individuals and corporators, and the legal fiction disappears. The benefit is theirs, the punishment is theirs, and both must attend and depend upon their conduct, and when they all act collectively, as an aggregate body, without the least exception, and so acting reach results and accomplish purposes clearly corporate in their character and affecting the vitality, the independence, the utility of the corporation itself, we cannot hesitate to conclude that there has been corporate conduct which

"There has been an enormous speculation in the certificates of the trust and certificates of deposit issued by the Central Trust Company in exchange for the trust certificates. It was plainly one of the chief purposes of this trust to provide for the issue of these certificates, affording thereby an opportunity for great speculation in them, obviously to the advantage of the persons managing the trust, with whom was lodged full and accurate information of its plans and condition, but to the disadvantage of the general public, who were ignorant of the secrets of the trust, its methods and plans, and of the actual value of the certificates in which they dealt. The issue of \$50,000,000 of certificates was amply sufficient for a speculation of many hundreds of millions of dollars. It may well be questioned whether the trust was organized more for the purpose of enormous speculations than for the advantages to be obtained by a combination of refineries in the legitimate refining of sugar. That the chief object of the trust was for the purpose of speculation is quite plainly shown by the inflated value placed upon the property of the constituent corporations upon which certificates were issued. Had the aim been solely a more economical and profitable refining of sugar this result would have been obtained without an increase of the capitalization of the properties of the constituent corporations."—From report of the committee of the New York legislature on the sugar trust.

the state may review, and not be defeated by the assumed innocence of a convenient fiction." By the New York law corporations must remain single or form into one; there may be no partnership of separate and independent corporations. Judgment of dissolution was granted.

In 1895 there was dissolved under the common law a milk trust, in New York City, of ninety dealers. The trust had fixed the price of milk and cream to be paid the producers, and the state sued for the dissolution of the Milk Exchange. Public policy had been contravened. This decision shows the courts will take notice of a combination against producers, as of an attempt to raise prices against consumers.

What was the case of the State of Ohio against the Standard Oil Company?

The defendant being an Ohio corporation, and having formed a trust, the state sued for forfeiture of charter and other relief. The defendant pleaded that the illegal acts were not the corporation's, but the stockholders', and that the statute of limitations had run. The court denied the first plea, but admitted the second. Relief was granted in a decree ousting the Standard Oil from the right to make, and the power to perform, the agreement in question.

The supreme court of Ohio held the anti-trust law of that state constitutional, January 30, 1900. It was a case against the Buckeye Pipe Line Company, an alleged member of the Standard Oil trust.

How has a Texas state court interpreted the Texas law?

In March, 1898, a state court of Texas, in the case of the *Waters-Pierce Oil Company, a branch of the Standard Oil Company, which had made certain agreements in restraint of trade, held that it was within the police power of the state to prohibit combinations in restraint of trade; that the state was endangered by some combinations, and that it was constitutional to exempt from the operations of the law certain classes of combinations, to-wit: those relating to live-stock and agricultural products in the raisers' and producers' hands, and organizations of laborers to maintain wages. The oil company was prohibited from doing other than interstate business in Texas.

In what states is the farmer specially exempt from the operation of the laws against combinations?

In Georgia, Illinois, Indiana, Louisiana, Michigan, Mississippi, Montana, North Carolina, Tennessee and Texas.

*In February, 1900, the United States supreme court, in the case of the State of Texas vs. Waters-Pierce Oil Company, held that foreign corporations have only such rights of contract in Texas as may be given

In what states is labor favored?

Illinois, Louisiana, Michigan, Mississippi, Montana, Nebraska, South Dakota, Texas, Washington.

What are the penalties of combination in different states?

Fines, imprisonment, damages, nullification of contracts, loss of price of goods, forfeiture of franchise, forfeiture of goods.

How is the crime characterized as to combinations in restraint of trade?

Misdemeanor, conspiracy, conspiracy against trade, conspiracy to defraud, felony, criminal conspiracy.

What officers shall institute proceedings against supposed guilty parties?

In some states, for instance, Illinois and Missouri, the secretary of state must yearly ask of corporations to declare under oath whether they are connected with trusts. If a corporation in Illinois neglects the required affidavit the prosecuting attorney may proceed to forfeit charter and collect fines. In Missouri he must do so. In Kansas the attorney general and county attorneys must, under penalty, proceed against violators of the law. In Nebraska the prosecuting attorney gets from \$100 to \$500 for each charter forfeited. In New York the attorney general may bring suit for injunction. And with an order from the court he may call witnesses before a referee for examination before commencing suit. This law has been tested in the lower courts with reference to the right of the designated court to issue the order, and the immunity of the witnesses from prosecution, but the court of appeals has not yet passed upon its constitutionality.

How are corporations foreign to a state treated for violation of the law?

They are shut out of the state.

How do the courts regard rebates on railway freight rates?

The courts differ widely. In some states it is held that railways may agree to refund to a shipper a percentage of schedule rates as a rebate. If such a contract is made without reference to rates made to other shippers, it is not called discrimination between parties. Where this rule prevails the burden is on the complainant to prove illegal discrimination. Freight rates must in all cases be reasonable and, where conditions are the same, equal. Contracts giving privileges tending to monopoly are void. In other states an agreement to make rebates is void under the common law, and in some they are so declared by statute.

by that state; and as the oil company had violated the state law, the state court could lawfully annul its permits. The question of interstate commerce was not before the court in the form in which the case was brought. Justice Harlan dissented.

Is combination among insurance companies prohibited?

Yes, in some states. In Kansas, for instance, it has been held, with respect to foreign companies, that their business is not interstate commerce, and is therefore subject to the state anti-trust act forbidding combinations in restraint of trade.

In general terms what is the penalty for combination?

No court will help enforce an illegal contract. Whoever, individual or corporation, enters such a contract assumes full responsibility for the act. A corporation which is a member of a trust cannot recover its share of the profits of the business, or of any money due its members, for the compact involved is illegal.

If public policy demands that the people proceed against a trust, what may be done in the way of extraordinary relief?

The courts may grant relief by *quo warranto* and injunction. The writ of *quo warranto* was an old royal remedy for the abuse or usurpation of franchises. In Illinois, if a public wrong is done by abuse of a franchise, and no private injury appears, a proceeding by *quo warranto* must be begun by the public prosecutor—the attorney general or state's attorney—this officer acting in his official capacity at the instance of anybody, named the relator, who can give him requisite proofs. An individual may sue only for injuries done to himself, through improper administration of corporate functions. There are also cases where relief may be granted by injunction, though injunctions, generally speaking, are denied to those having adequate remedy at law. Only the government may bring suit for injunction under the United States anti-trust act.

What courts have jurisdiction to restrain and prevent violations of the anti-trust acts?

Under the federal law the United States circuit courts act; under the state laws generally any court of competent jurisdiction.

What are the main provisions of the federal anti-trust act of 1890?

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade, or commerce among the several states, or with foreign nations, is illegal." Whoever makes such contract or enters such association is guilty of a misdemeanor, subject to a fine not exceeding \$5,000, or imprisonment for one year, or to both. Furthermore, "every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations," is guilty in the same degree, and shall be punished the same way. The same regulations apply to trade between and with territories. To restrain violations of this act proceedings

in equity shall be the duty of district attorneys under the attorney general. Any property in transit between states, or to a foreign country, that is owned in violation of this act, shall be forfeited to the United States, and may be seized and condemned. Any person or corporation injured by anything that this act declares unlawful may sue in any circuit court district where the defendant resides, and shall recover threefold his damages, his attorneys' fees and costs. (See Appendix, proposed amendments.)

What conclusions may be drawn from a study of these various laws and decisions?

Professor Jenks draws these conclusions: (1) Practically all these statutes were framed to prevent the formation of combinations which might become dangerous, and to destroy such as now exist. In a few cases attempt is made through special powers granted prosecuting officers to secure information and strike down the obnoxious organizations if monopolies in the common law sense. It should be noted that not one statute aims specially at securing publicity regarding the large industrial combinations through detailed reports, in order that publicity itself may prove a remedial measure. (2) Several states have granted exemptions to farmers and laborers, on the ground that combinations among such classes are not injurious to the public. (3) The common law is sufficient to give protection against monopolies that are clearly proven to be against public policy. The proof to establish monopoly seems to vary with the locality. (4) The specific definitions of the statutes put people on the alert concerning their rights and duties; and common law principles are fitted more rapidly into modern conditions. If some statutes have carried regulation too far, judicious judges have kept decisions to the main issue—virtual monopoly. In most cases the courts have not entered upon the more difficult question whether the monopoly in question is against public policy. (5) The courts very generally uphold the anti-monopoly statutes. Those declared unconstitutional have been so declared on minor points only, but a federal decision in Texas, and one in Illinois, has held the exemption of special classes (agricultural and laboring) unconstitutional. (6) The courts are inclined to put combinations of labor and capital in the same class.

When can the federal government interfere to prevent restraint of trade?

Only when there is restraint of trade as between states, or between this country and other countries. It cannot interfere with trade going on within any given state.

What supreme authority has so interpreted the constitution?

The supreme court of the United States, speaking in the words of Chief Justice Fuller, in the decision in the case of the sugar

trust. The court then said: "It was in the light of well settled principles that the act of July 2, 1890, was framed. Congress did not attempt thereby to assert the power to deal with monopoly directly as such, or to limit and restrict the rights of corporations created by the states or the citizens of the states in the acquisition, control, or disposition of property; or to regulate or prescribe the price or prices at which such property should be sold; or to make criminal the acts of persons in the acquisition and control of property which the states of their residence sanctioned or permitted."

What distinction must we hold in mind in our appeals to Congress to save us from trusts?

We must remember our union is composed of sovereign states, and that in their own concerns, where liberty does not hurt the country at large, the states legislate in their own interests. So the supreme court, representing us all, found no cause to restrain the sugar trust when it came before it in 1894; but in the case of the Trans-Missouri Freight Association, in 1897, and the Joint Traffic Association, in 1898, it did find reason for interference, because the restraint put upon trade by the agreements of these two associations were deemed harmful to interstate commerce and the nation at large, Congress having said that such combinations defeated the operation of the general law of competition.

Has the supreme court left any chance for combination in interstate traffic?

Yes, it says the anti-trust act does not apply to all combinations in restraint of interstate commerce without exception or limitation, but merely to those which have that effect directly. It does not apply where the effect is indirect.

Has it ever been decided whether the government has the right

In estimating the efficiency of our many anti-trust laws, such opinions as these, given by the New York court of appeals, seem pertinent: "We suppose a party may largely purchase the trade and business of another for the very purpose of preventing competition." * * * "We do not think that competition is invariably a public benefaction, for it may be carried on to such a degree as to become a great evil." The same court held that because a contract or arrangement may possibly restrain competition, such contract or arrangement is not necessarily injurious to society. This same court has held that parties to an agreement may agree not to sell to others not parties to the agreement, that such agreement is appropriate "to suppress competition in chosen fields among themselves." Further, this court has held that to drive out competition it is lawful to agree that persons dealing exclusively with the parties contracting shall have lower prices. And lately this same court has upheld the right of workmen to combine to raise and maintain wages, declaring such combination not contrary to public policy.

to seize property passing between states, as it is authorized to do in the federal anti-trust act?

No. The supreme court has not yet decided whether this power is constitutional. "Until the supreme court decides otherwise, it is permissible to entertain the opinion that Congress cannot, under the power to regulate commerce among the states, prohibit the transfer of a commodity from one state to another. But even if the supreme court should decide that there is a right to confiscate within the power to regulate interstate commerce, it would not follow that the forfeiture clause of the trust act is constitutional. Congress cannot deprive persons of property arbitrarily."—Carman F. Randolph, *Popular Science Monthly*.

Canada enacted anti-trust legislation in 1892. It was designed to prevent restraint of trade, but it left to the courts to decide what restraint was undue and unreasonable. In 1899 the code was amended by striking out the terms characterizing the degree of restraint, to wit, in this instance, the words "unduly" and "unreasonably."

THE PEOPLE'S VOICE IN PARTY PLATFORMS.

XXII.

How are the relations of the great political parties to the growth of trusts shown?

In the national platforms of these parties, and the utterances of presidents and presidential nominees.

How is land monopoly shown to be a matter of national concern a quarter century ago?

The Republican national platform of 1872 declared:

"We are opposed to further grants of the public lands to corporations and monopolies, and demand that the national domain be set apart for free homes for the people."

The Democratic national platform and the National Liberal Republican platform (Horace Greeley, nominee,) of 1872, made similar declarations.

In 1876 the Republican national platform reaffirmed the principles of 1872. The Democratic national platform took similar ground, making reference to the "profligate waste of public lands," its diversion from actual settlers, and declared the government had "squandered 200,000,000 acres on railroads alone."

In 1880 the Republican national platform declared that no further grants of land should be made to railways or other corporations; and the Democratic platform again demanded public land for actual settlers. In 1880 the Greenback national platform said: "We denounce as destructive to prosperity, and dangerous to liberty, the action of the old parties in fostering and sustaining gigantic land, railroad and money corporations and monopolies, invested with and exercising powers belonging to the government, and yet not responsible to it for the manner of their exercise."

In the Republican national convention of 1884 this plank (William McKinley, Jr., chairman of committee on resolutions) was adopted: "The principle of the public regulation of railway corporations is a wise and salutary one for the protection of all classes of the people, and we favor legislation that shall prevent unjust discriminations and excessive charges for transportation,

and that shall secure to the people and the railways alike the fair and equal protection of the laws. * * * The public lands are a heritage of the people of the United States, and should be reserved as far as possible for small holdings of actual settlers."

What was the Democratic declaration of 1884?

In this same year, 1884, the Democratic national platform, arraigning the Republican public land policy, declared that "a few railroads and non-resident aliens, individual and corporate, possess a larger area than that of all our farms between the two seas." About monopoly it said: "While we favor all legislation which will tend to the equitable distribution of property, to the prevention of monopoly, and to the strict enforcement of individual rights against corporate abuses, we hold that the welfare of society depends upon a scrupulous regard for the rights of property as defined by law." In this same convention General Benjamin F. Butler, of Massachusetts, offered a substitute platform which was rejected. His monopoly plank contained this statement: "Every species of monopoly engenders two classes, the very rich and the very poor, both of which are equally hurtful to a republic, which should give to its people equal rights and equal privileges under the law."

What was Blaine's sagacious saying about land monopoly?

Accepting the presidential nomination in 1884, James G. Blaine wrote: "One hundred thousand acres of land in the hands of one man is far less profitable to the nation, in every way, than when its ownership is divided among 1,000 men."

What was the Greenback monopoly plank?

In this same year, 1884, General Butler was nominated for president by the Greenback National party on a platform containing this plank: "We denounce as dangerous to our republican institutions those methods and policies of the Democratic and Republican parties which have sanctioned or permitted the establishment of land, railroad, money or other gigantic corporate monopolies, and we demand such governmental action as may be necessary to take from such monopolies the powers they have so corruptly and unjustly usurped, and restore them to the people to whom they belong."

In this same year, 1884, the Anti-Monopoly National party, nominating General Butler to the presidency, declaring it the duties of the government to regulate interstate commerce, said: "The great instruments by which this commerce is carried on are transportation, money and the transmission of intelligence. They are now mercilessly controlled by giant monopolies, to the impoverishment of labor, and the crushing out of all healthful competition, and the destruction of business security."

When did the great national parties take specific cognizance of trusts?

In the conventions and platforms of 1888.

What did the Republicans declare?

"We declare our opposition to all combinations of capital, organized in trusts or otherwise, to control arbitrarily the condition of trade among our citizens; and we recommend to Congress and the state legislatures, in their respective jurisdictions, such legislation as will prevent the execution of all schemes to oppress the people by undue charges on their supplies, or by unjust rates for the transportation of their products to market. We approve the legislation by Congress to prevent alike unjust burden and unfair discrimination between the states."

What did the Democratic national platform of 1888 say about trusts?

It pointed out, after four years in power, its national reforms in these words: "The Democratic party has reversed the improvident and unwise policy of the Republican party touching the public domain, and has reclaimed from corporations and syndicates, alien and domestic, and restored to the public, nearly 100,000,000 acres of valuable land to be sacredly held as homesteads for our people." This same platform said with respect to monopoly: "All unnecessary taxation is unjust taxation. * * * Judged by Democratic principles the interests of the people are betrayed, when by unnecessary taxation trusts and combinations are permitted to exist, which, while unduly enriching the few that combine, rob the body of our citizens by depriving them of the benefits of natural competition."

In this same year, 1888, the Prohibition national platform declared against "all combinations of capital to control and to increase the cost of products for popular consumption;" and the platform of the Union Labor party said: "The paramount

As illustrating the growth of national sentiment in protest against the policies, financial, economic, etc., of the older and ruling parties, may be instanced the popular vote of the lesser and more radical parties since 1880:

1880, Greenback, 307,306.

1884, Benjamin F. Butler, 133,825.

1888, Union Labor (A. J. Streeter), 148,105; United Labor, 2,808.

1892, People's (James B. Weaver), 1,041,028; Socialist Labor (Simon Wing), 21,164.

1896, Democratic and Populist (W. J. Bryan), combined vote, 6,454,943; Socialist Labor, 36,260 (cast by New York 17,667, cast by Illinois 1,147); Prohibition, 131,748.

The vote of the gold standard Democrats—the National Democracy, General John M. Palmer and General Simon B. Buckner—132,870, may not properly be included in the above class, for the reason that it is the expression of conservatism, of the desire to perpetuate an existing policy.

issues to be solved in the interests of humanity are the abolition of usury, monopoly and trusts, and we denounce the Democratic and Republican parties for creating and perpetuating these monstrous evils."

Benjamin Harrison, accepting the nomination of the Republican party, in 1888, said its trust plank voiced opinions he had long held.

What did President Harrison say of trusts in his first annual message?

President Harrison said, in his first annual message, Dec. 3, 1889: "Earnest attention should be given by Congress to a consideration of the question how far the restraint of those combinations of capital commonly called 'trusts' is a matter of federal jurisdiction. When organized, as they often are, to crush out all healthy competition and to monopolize the production or sale of an article of commerce and general necessity, they are dangerous conspiracies against the public good, and should be made the subject of prohibitory and even penal legislation."

What was the declaration of Grover Cleveland accepting the nomination of 1888?

In this same year, 1888, Grover Cleveland, in his letter accepting the Democratic nomination to the presidency, said, referring to the party plank: "Such combinations have always been condemned by the Democratic party. The declaration of its national convention is seriously made, and no member of our party will be found excusing the existence or belittling the pernicious results of these devices to wrong the people. Under various names they have been punished by the common law for hundreds of years, and they have lost none of their hateful features because they have assumed the name of trusts instead of conspiracies. We believe that these trusts are the natural offspring of a market artificially restricted, that an inordinately high tariff, while furnishing the temptation for their existence, enlarges the limit within which they may operate against the people, and thus increases the extent of their power for wrongdoing."

What stand did the Democratic and Republican parties take in 1892?

In 1892, the Republicans in national convention declared: "We reaffirm our opposition declared in the Republican platform of 1888 to all combinations of capital organized in trusts or otherwise to control arbitrarily the condition of trade among our citizens. We heartily endorse the action already taken upon this subject, and ask such further legislation as may be required to remedy any defects in existing laws, and to render their enforcement more complete and effective."

In this same year, 1892, the Democratic party said: "We recognize in the trusts and combinations which are designed to enable capital to secure more than its just share of the joint product of capital and labor, a natural consequence of the prohibitive taxes which prevent the free competition which is the life of honest trade; but we believe their worst evils can be abated by law, and we demand the rigid enforcement of the laws made to prevent and control them, together with such further legislation in restraint of their abuses as experience may show to be necessary."

What did the People's party say in 1892 about a sham battle?

In this same year, 1892, the People's party (free silver) declared that the old parties "propose to drown the outcries of a plundered people with the uproar of a sham battle over the tariff, so that capitalists, corporations, national banks, rings, trusts, watered stock, the demoralization of silver, and the oppressions of the usurer may all be lost sight of."

In this same year, 1892, the Prohibitionists declared: "Speculations in margins, the cornering of grain, money and products, and the formation of pools, trusts and combinations for the arbitrary advancement of prices should be suppressed."

What was the Democratic trust plank of 1896?

There was no trust plank in the platform of the National Democratic party in (Palmer-Buckner) 1896.

The trust plank in the platform of the Democratic party, in 1896, was: "The absorption of wealth by the few, the consolidation of our leading railroad systems, and the formation of trusts and pools require a stricter control by the federal government of those arteries of commerce. We demand the enlargement of the powers of the Interstate Commerce Commission, and such restrictions and guarantees in the control of railroads as will protect the people from robbery and oppression."

What was President Cleveland's last official declaration, as chief executive, on trusts?

In his last annual message, Dec. 7, 1896, President Cleveland called the attention of Congress to "trusts and other huge aggregations of capital the object of which is to secure a monopoly of some particular branch of trade, industry or commerce and to stifle wholesome competition. When these," continued President Cleveland, "are defended it is usually on the ground that though they increase profits they also reduce prices and thus may benefit the public. It must be remembered, however, that a reduction of prices to the people is not one of the real objects of these organizations, nor is their tendency necessarily in that direction. If it occurs in a particular case it is only because it

accords with the purposes or interests of those managing the scheme.

"Such occasional results fall far short of compensating the palpable evils charged to the account of trusts and monopolies. Their tendency is to crush out individual independence and to hinder and prevent the free use of human faculties and the full development of human character. Through them the farmer, the artisan, and the small trader is in danger of dislodgment from the proud position of being his own master, watchful of all that touches his country's prosperity, in which he has an individual lot, and interested in all that affects the advantages of business of which he is a factor, to be relegated to the level of a mere appurtenance to a great machine, with little free will, with no duty but that of passive obedience, and with little hope or opportunity of rising in the scale of responsible and helpful citizenship.

"To the instinctive belief that such is that inevitable trend of trusts and monopolies is due the widespread and deep-seated popular aversion in which they held, and the not unreasonable insistence that, whatever may be their incidental economic advantages, their general effect upon personal character, prospects, and usefulness cannot be otherwise than injurious.

"Though Congress has attempted to deal with this matter by legislation, the laws passed for that purpose thus far have proved ineffective, not because of any lack of disposition or attempt to enforce them, but simply because the laws themselves as interpreted by the courts do not reach the difficulty. If the insufficiencies of existing laws can be remedied by further legislation it should be done. The fact must be recognized, however, that all federal legislation on this subject may fall short of its purpose because of inherent obstacles, and also because of the complex character of our governmental system, which, while making the federal authority supreme within its sphere, has carefully limited that sphere by metes and bounds that cannot be transgressed. The decision of our highest court on this precise question renders it quite doubtful whether the evils of trusts and monopolies can be absolutely treated through federal action unless they seek directly and purposely to include in their objects transportation or intercourse between states or between the United States and foreign countries.

"It does not follow, however, that this is the limit of the remedy that may be applied. Even though it may be found that federal authority is not broad enough to fully reach the case, there can be no doubt of the power of the several states to act effectively in the premises, and there should be no reason to doubt their willingness to judiciously exercise such power."

Did the Republican party put an anti-trust plank in the platform of 1896?

There was no trust plank in the platform of the Republican party in 1896.

What did the People's party declare for in 1896?

The platform of the People's party, in 1896, declared for government ownership of railroads and telegraph, and their operation on a non-partisan basis. It declared the government should reclaim land grants to railroads and other corporations which were in excess of actual need. The platform did not specifically mention trusts.

What was the Socialist prophecy of 1896?

In 1896 the platform of the Socialist Labor party, declaring its fundamental belief that private property is the cause of all economic servitude and political dependence, said:

"The time is fast coming when, in the natural course of social evolution, this system, through the destructive action of its failures and crises on the one hand, and the constructive tendencies of its trusts and other capitalistic combinations on the other hand, shall have worked out its own downfall."

By what does the Populist party propose to dethrone trusts?

By government ownership of the instruments of commerce.

How do Populists state the need for radical remedies?

"A statute declaring that water shall not run down hill would be ineffective unless the statute should repeal the law of gravitation. The attempt to remove and cure the industrial cancers, called trusts, with the so-called anti-trust laws is as futile and foolish as it would be for a physician to attempt to heal a cancer growing out of blood poison by an application of salves. The only cure for such a cancer is a constitutional tonic that will remove the blood poison from the system."—U. S. SENATOR MARION BUTLER, in *Arena*, March, 1898.

What are the instruments of commerce?

First, money, the measure of values. Business stagnates when quantity in circulation does not increase with population and business. Second, transportation. Discrimination in rates gives power to crush competition. (Fifty-five thousand miles of railroad, in eight great systems, are controlled through J. Pierpont Morgan by a gold syndicate of London Jews.) Third, transmission of intelligence, a vital instrument of commerce, for information controls votes, pocketbooks, and the destinies of the nation.

Who should control forces of such influence upon national character and welfare?

The public, at lowest cost and without discrimination. At present these three vital instruments are in the hands of private

individuals and speculators who have the business of the world at their mercy. "Whenever a government permits the instruments of commerce to go into private hands it has surrendered its most important function of sovereignty. It has surrendered its power to 'establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty.' It is to secure these rights that governments are established among men."

In what other terms may these principles be stated?

"Those who have a trust on money, a trust on transportation, and a trust on news, have it in their power to levy tribute on every man and every industry in the nation. Was there a trust in existence before half of the people's money was destroyed by burning the greenbacks and demonetizing silver, and the control of our finances was placed in the hands of a banking syndicate? Was there a trust in existence before the railroad and telegraph, the other two instruments of commerce, were monopolized by private greed? During the thirty years in which a few private individuals, organized into corporations, have secured a trust on money, a trust on transportation, and a trust on intelligence, there has sprung up, grown and multiplied the aggregation of monster industrial trusts which are today blighting our industrial system and sapping the life-blood of the republic."

What, then, does Populist doctrine demand?

Congressional control of the three instruments of commerce under its constitutional authority to regulate commerce. For, it is held, where government has left control of these interests to private parties, these parties have not only controlled commerce but government itself. And, that the fathers of the republic saw these things to be true is shown by their teaching that natural monopoly should never be allowed to go into private hands. Therefore take these three instruments of commerce, three great natural monopolies, from private hands.

What did President McKinley say of trusts in his annual message, Dec. 4, 1899?

He said: "Combinations of capital organized into trusts to control the conditions of trade among our citizens, to stifle competition, limit production and determine the prices of products used and consumed by the people are justly provoking public discussion, and should early claim the attention of the Congress. The industrial commission, created by the act of the Congress of June 18, 1898, has been engaged in extended hearings upon the disputed questions involved in the subject of combinations in restraint of trade and competition. They have not yet completed their investigation of this subject, and the conclusions and recommendations at which they may arrive are undetermined.

"The subject is one giving rise to many divergent views as to the nature and variety or cause and extent of the injuries to the public, which may result from large combinations concentrating more or less numerous enterprises and establishments, which previously to the formation of the combination were carried on separately. It is universally conceded that combinations which engross or control the market of any particular kind of merchandise or commodity necessary to the general community, by suppressing natural and ordinary competition, whereby prices are unduly enhanced to the general consumer, are obnoxious not only to the common law, but also to the public welfare. There must be a remedy for the evils involved in such organizations. If the present law can be extended more certainly to control or check these monopolies or trusts, it should be done without delay. Whatsoever power the Congress possesses over this most important subject should be promptly ascertained and asserted."

Referring to the act of July 2, 1890, which is declared to be comprehensive and stringent, the President said it is aimed at every kind of combination in the nature of trust or monopoly in restraint of interstate or international commerce. Then, speaking of the operation of this statute, the President said:

"The prosecution by the United States of offenses under the act of 1890 has been frequently resorted to in the federal courts, and notable efforts in the restraint of interstate commerce, such as the Transmissouri Freight Association and the Joint Traffic Association, have been successfully opposed and suppressed.

"President Cleveland, in his annual message of Dec. 7, 1896—more than six years subsequent to the enactment of this law—after stating the evils of these trust combinations, says:" * * * and President McKinley then quoted from President Cleveland, the extracts being the two last paragraphs of the matter quoted above. President McKinley then continued: "The state legislation to which President Cleveland looked for relief from the evils of trusts has failed to accomplish fully that object. This is probably due to a great extent to the fact that the different states take different views as to the proper way to discriminate between evil and injurious combinations and those associations which are beneficial and necessary to the business prosperity of the country. The great diversity of treatment in different states arising from this cause, and the intimate relations of all parts of the country to each other without regarding state lines in the conduct of business, have made the enforcement of state laws difficult.

"It is apparent that uniformity of legislation upon this subject in the several states is much to be desired. It is to be hoped that such uniformity, founded in a wise and just discrimination between what is injurious and what is useful and necessary in business operations, may be obtained, and that means may be found

for the Congress within the limitations of its constitutional power so to supplement an effective code of state legislation as to make a complete system of laws throughout the United States adequate to compel a general observance of the salutary rules to which I have referred.

"The whole question is so important and far-reaching that I am sure no part of it will be lightly considered, but every phase of it will have the studied deliberation of the Congress, resulting in wise and judicious action."

What is the trust plank in the Republican platform of 1900?

The trust plank in the Republican national platform, adopted in Philadelphia June 20, 1900 (nominees, William McKinley and Theodore Roosevelt), is: "We recognize the necessity and propriety of the honest co-operation of capital to meet new business conditions, and especially to extend our rapidly increasing foreign trade, but we condemn all conspiracies and combinations intended to restrict business, to create monopolies, to limit production or to control prices, and favor such legislation as will effectually restrain and prevent all such abuses, protect and promote competition and secure the rights of producers, laborers and all who are engaged in industry and commerce."

What did the Prohibitionists declare in 1900?

From the platform of the Prohibition national party, adopted at Chicago June 29, 1900 (nominees, John G. Woolley and Henry B. Metcalf): "We submit that the Democratic and Republican parties are alike insincere in their assumed policy toward trusts and monopolies. They dare not and do not attack the most dangerous of them all, the liquor power. So long as the saloon debauches the citizen and breeds the purchasable voter money will continue to buy its way to power."

What remedies did the Populists propose for the trust evil in their platform of 1900?

The trust plank in the platform of the Populist national party, adopted at Sioux Falls, S. D., May 11, 1900 (nominees, William Jennings Bryan and Charles A. Towne), was:

"Trusts, the overshadowing evils of the age, are the result and culmination of the private ownership and control of the three great instruments of commerce—money, transportation and the means of transmission of information—which instruments of commerce are public functions, and which our forefathers declared in the constitution should be controlled by the people through their Congress for the public welfare. The one remedy for the trusts is that the ownership and control be assumed and exercised by the people.

"We further demand that all tariffs on goods controlled by a trust shall be abolished.

"To cope with the trust evil the people must act directly without the intervention of representatives who may be controlled or influenced. We therefore demand direct legislation, giving the people the lawmaking and veto power under the initiative and referendum. A majority of the people can never be corruptly influenced."

How would the "Middle-of-the-Road" Populists abolish trusts?

The trust plank in the national platform of the "Middle-of-the-Road" Populist party, adopted in Cincinnati May 10, 1900 (nominees, Wharton Barker and Ignatius Donnelly), is:

"We are opposed to trusts, and declare the contention between the old parties on the monopoly question is a sham battle, and that no solution of this mighty problem is possible without the adoption of the principles of public ownership of public utilities."

The Socialist Labor party, in convention in New York, June 2-8, 1900, reaffirmed the platform, and therefore the trust plank, of 1896.

What anti-trust principles is the Democratic party pledged to defend in the campaign of 1900?

The trust plank in the platform of the Democratic national party (William J. Bryan and Adlai E. Stevenson nominated), adopted at Kansas City, July 5, 1900, is:

"Private monopolies are indefensible and intolerable. They destroy competition, control the price of all material, and of the finished product, thus robbing both producer and consumer. They lessen the employment of labor, and arbitrarily fix the terms and conditions thereof, and deprive individual energy and small capital of their opportunity for betterment.

"They are the most efficient means yet devised for appropriating the fruits of industry to the benefit of the few at the expense of the many, and unless their insatiate greed is checked all wealth will be aggregated in a few hands and the republic destroyed.

"The dishonest paltering with the trust evil by the Republican party in state and national platforms is conclusive proof of the truth of the charge that trusts are the legitimate product of Republican policies; that they are fostered by Republican laws, and that they are protected by the Republican administration in return for campaign subscriptions and political support.

"We pledge the Democratic party to an unceasing warfare in nation, state and city against private monopoly in every form. Existing laws against trusts must be enforced, and more stringent ones must be enacted providing for publicity as to the affairs of corporations engaged in interstate commerce, and requiring all corporations to show before doing business outside of the state of their origin that they have no water in their stock, and that they have not attempted and are not attempting to monopolize

any branch of business or the production of any articles of merchandise, and the whole constitutional power of Congress over interstate commerce, the mails and all modes of interstate communication shall be exercised by the enactment of comprehensive laws upon the subject of trusts.

"Tariff laws should be amended by putting the products of trusts upon the free list to prevent monopoly under the plea of protection.

"The failure of the present Republican administration, with an absolute control over all branches of the national government, to enact any legislation designed to prevent or even curtail the absorbing power of trusts and illegal combinations, or to enforce the anti-trust laws already on the statute books, prove the insincerity of the high-sounding phrases of the Republican platform.

"Corporations should be protected in all their rights and their legitimate interests should be respected, but any attempt by corporations to interfere with the public affairs of the people or to control the sovereignty which creates them should be forbidden under such penalties as will make such attempts impossible.

"We condemn the Dingley tariff law as a trust-breeding measure, skilfully devised to give the few favors which they do not deserve and to place upon the many burdens which they should not bear.

"We favor such an enlargement of the scope of the interstate commerce law as will enable the commission to protect individuals and communities from discriminations, and the public from unjust and unfair transportation rates."

What did the Silver Republicans declare about trusts?

The trust plank of the platform of the Silver Republican party, adopted at Kansas City, July 6, 1900, declared:

"Combinations, trusts and monopolies contrived and arranged for the purpose of controlling the prices and quantity of articles supplied to the public are unjust, unlawful and oppressive.

"Not only do these unlawful conspiracies fix the prices of commodities in many cases, but they invade every branch of the state and national government with their polluting influence and control the actions of their employes and dependents in private life until their influence actually imperils society and the liberty of the citizen.

"We must declare against them. We demand the most stringent laws for their destruction and the most severe punishment of their promoters and maintainers and the energetic enforcement of such laws by the courts."

CONGRESS AND THE TRUSTS.

XXIII.

What were the influences originating and directing trust legislation in the first session of the 56th Congress?

The history of trust legislation, or rather of the lack of legislation, in the first session of the 56th Congress, is a story largely if not entirely of an attempt by the leaders on both sides to secure a point of vantage for the presidential campaign then in sight. Unofficially and privately the opinions of the leaders of the two great parties on the trust question were nearly identical. These opinions involved a certainty that the people believed themselves in danger from the organization of trusts, and demanded relief by legislation. The congressional leaders of both parties, while recognizing this demand, also saw the extreme difficulty of framing laws which would repress or destroy illegal and oppressive trusts, without at the same time doing vast injury to combinations of capital or labor for legitimate commercial purposes.

Why was a constitutional amendment a favorite proposition?

From the beginning of the session bills and resolutions of all sorts bearing on the trust question were offered in large numbers, both by Republicans and Democrats, and in both House and Senate. Amid this flood of proposed legislation there were many suggestions of a practical character. Constitutional amendments were proposed to give Congress power to deal with all combinations of capital. This suggestion was made because the power of Congress to regulate corporations, under the constitution, is confined to commerce between the states. Federal laws, therefore, cannot directly prohibit or control the products of trusts at the place of manufacture, nor can they reach actions intended to destroy competition, except where these illegal acts tend to injure commerce between the states. This well-known limitation of the powers of Congress rendered the constitutional amendment a favorite proposition, in spite of the fact, so generally understood,

*This section was prepared by a leading Washington correspondent. The editor accepts and offers it as history.

that an amendment to the constitution is an exceedingly difficult thing to arrive at, the founders of the government having intentionally rendered it a difficult matter to change the organic law. Other suggestions, therefore, even more popular in Congress, were to strike at the trusts by special taxation of the articles they controlled, by modifying the customs laws so as to withdraw from trust products the benefits of tariff protection, and in general, attacking the formation of trusts by declaring them to be illegal combinations, and rendering their officers and organizers punishable under the criminal law.

What did the committee having legislation in charge finally report?

The flood of bills and resolutions continued all through the session. The House committee on judiciary, after wrestling with the subject for about five months, finally concluded to present two measures involving both the constitutional amendment idea, and statutory regulation of the trusts under the present powers of Congress.

How did political expediency force action?

The constitutional amendment reported by the committee was first introduced by Mr. Jenkins of Wisconsin, in January. His state had passed strong resolutions demanding legislation to suppress trusts, and his proposed amendment was in answer to this demand. Just here came in the political influence on congressional action. The Republicans had not intended to pass any legislation at all. They were pushed into it because the Democrats repeatedly called attention to the fact that the Republican attorney-general had excused himself for not prosecuting the trusts, by declaring that the existing laws were inadequate, thus placing the responsibility on Congress, which was Republican in House and Senate. The party leaders, therefore, felt the necessity of demonstrating their good faith.

What was the line of Republican strategy?

Mr. Bryan, the Democratic candidate for the presidency, had, some time before, declared himself in favor of the regulation of trusts, through the medium of a constitutional amendment. He had not, apparently, stopped to think that the traditions of his party were entirely opposed to federal interference with state affairs, and hence, that the proposed constitutional amendment would be a severe blow at the time-honored Democratic doctrine of state rights. Mr. Bryan's proposition was immediately repudiated by the Democratic leaders. This, therefore, was the Republican opportunity. They took up the Jenkins amendment, recast it entirely to correspond as exactly as possible with that suggested by Mr. Bryan, and presented it to the House, so as to force the Democratic minority to repudiate either their own

leader, or one of the most cherished of their party doctrines. The Republican managers counted confidently on the fact that the Democrats would oppose the constitutional amendment, and thus go on record before the people as hindering legislation to repress the trusts.

What was the proposed constitutional amendment?

The amendment to the constitution reported out by the committee would have been Article 16, reading as follows:

"SEC. 1. All powers conferred in this article shall extend to the several states, the territories, the District of Columbia, and all territory under the sovereignty and subject to the jurisdiction of the United States.

"SEC. 2. Congress shall have power to define, regulate, prohibit, or dissolve trusts, monopolies or combinations, whether existing in the form of a corporation or otherwise.

"The several states may continue to exercise such power in any manner not in conflict with the laws of the United States.

"SEC. 3. Congress shall have power to enforce the provisions of this article by appropriate legislation."

How does the Republican party, represented by the judiciary committee of the House, argue its contention for a constitutional amendment?

All the arguments submitted by the committee as representing the Republican contention for the necessity of the constitutional amendment may be summarized as follows:

1. The existence of monopolies and of combinations, or so-called trusts, formed for improper purposes, detrimental to the prosperity of the people, and relating to, and seriously affecting manufacture, production, and business, is generally conceded.

2. The supreme court of the United States has decided that Congress is without constitutional power to repress them, or to regulate or control them when formed and operating in the states, except as to the carrying on of interstate commerce.

3. Manufacture and interstate commerce are so intimately connected and mutually dependent, and so affect all the people of all the states, that Congress should possess power over both. If it were wise and beneficial to give Congress power over interstate commerce it is unwise and detrimental to deny it power over manufacture and production, which may, and many times do, dominate such commerce.

4. Congress may regulate and control interstate commerce (and create, control, and dissolve corporations to carry it on), but not manufacture or production, which is no part of commerce, even when monopoly in manufacture seriously affects and cripples and, it may be, as to its own products, substantially destroys interstate commerce.

What further Republican argument is made for extension of congressional control?

5. Monopoly, combination, or conspiracy in manufacture or production of any kind, is no part of commerce; and hence, except in the territories, is now beyond the reach of national legislation or action. No power to repress or control monopolies of any kind is conferred on Congress by the constitution, unless it be a power to control interstate commerce, which may be doubted. Can Congress prevent the ownership by a New York corporation, or by those controlling it, of every railroad and every steamship line in the United States?

6. Most monopolies, and nearly all the great combinations or trusts formed for improper purposes, extend their operations and business into all the states and territories, and affect the business and property interests of nearly all our people, thus becoming, in a sense, national in their character. Hence they should be subject to and amenable to uniform laws operative throughout the United States and the territory thereof, and which Congress alone is competent to enact. These laws should be enforced by the courts of the United States, thus securing uniformity of administration.

How further does it appear necessary that Congress should have extra constitutional authority to harmonize the commercial interests of all the states?

7. The several states are powerless to enact any laws operative outside their respective territorial limits. Usually the laws of the one state differ from those of every other, and hence a monopoly, conspiracy, combination, or trust forbidden by the laws of one state may, and frequently does, obtain control of all competing organizations in the United States, and so becomes a national monopoly. That is, throughout the United States and the territories it monopolizes and controls the manufacture and production of and commerce in certain articles, and fixes the price at will.

8. No state can exclude from its territory the corporation of another state engaged in interstate commerce, and hence a monopoly in manufacture existing in one state, if also engaged in interstate commerce, may, so far as any state is concerned, carry its product into every state and control the price and market everywhere.

9. These evils and other incidents thereto can be effectively remedied by a constitutional amendment and subsequent congressional action only.

What reply has the Democratic party, through its representatives in Congress, made to these arguments?

The Democratic minority of the judiciary committee declined

to concede that Congress is now as impotent in the presence of the trusts as the majority asserted, and that whatever the power, or lack of power of Congress may be, the constitutional amendment recommended by the committee was but a feeble response to a loud and imperative call from the public. The minority did not fail to call attention to the fact that the attorney-general had failed to prosecute any of the trusts, and the query naturally arose in their minds, "Are we suffering most from a lack of law or a power to make law, or from a lack of officers willing to enforce the law?" The minority further declared that the tariff frequently operated to perpetuate a shameful monopoly. The suggestion was also made that the fraud orders of the postal authorities, denying the use of the mails to minor offenders, could be applied to the trusts. A suggestion on a similar line on the part of the minority, was that monopolies which depend for their existence upon an invention, like that of the telephone, could be reached by a partial repeal of the patent laws. Finally the minority took the ground that if the control of trusts were absolutely taken out of the hands of the states, and confined solely to Congress, the great monopolies would find it easier to prevent hostile legislation, as they would only have to influence Congress, instead of a half a hundred local legislatures.

What was the vote on the constitutional amendment?

On the issue as to the constitutional amendment, the joint resolution came to a vote in the House, June 1, 1900. It secured a majority, the vote being 154 to 132. Amendments to the constitution proposed in this way must first receive a two-thirds vote in each house of Congress. As the Jenkins amendment failed to receive two-thirds of those voting, it was disposed of forthwith.

Which political party gained the more advantage in its congressional maneuvers?

The tactical advantage secured by the Republicans came from the fact that the Democrats, with a few unimportant exceptions, voted solidly against the proposed constitutional amendment, and the Republicans, with similar unimportant exceptions, voted solidly for the amendment. On this record, without going into the reasons for such action, the Republicans expected to appeal to the country by showing that the Democrats had voted solidly against a constitutional amendment giving Congress power to control the trusts, and hence that the Democrats must be insincere in posing as opponents of illegal monopolies.

Wherein does the tactical advantage of the Republicans seem to have been partially neutralized?

Unfortunately for the success of such a political scheme, the Republicans had another string to their bow, which did not pull so much toward their advantage. As previously indicated, the

judiciary committee also reported out a bill, containing some proposed valuable anti-trust legislation, in the form of amendments to the Sherman law.

How was it proposed to strengthen the Sherman anti-trust law of 1890?

By the first section of this new bill every combination in the form of a trust, or otherwise, in restraint of trade between the states, or with foreign nations, is declared to be illegal, and the persons engaged in it are made subject to fine and imprisonment. The act of 1890 is broadened so as to provide that any person who monopolizes trade among the states, and every person who makes a contract in restraint of trade between the states, shall be deemed guilty of a crime, and punished accordingly. One of the most radical of the new amendments proposed to the trust law is found in the section which provides that any person injured in his business by reason of the action of a trust may sue and recover three times the damages sustained by him. It was also provided that wherever the word "person" is used in the act, it shall include all corporations organized under the laws of any state or territory, or of a foreign country, and the agents, officers, and attorneys of such corporations thus preventing the individual shielding himself under the acts of a corporation. A new section proposed in the committee bill provided that any corporation organized to increase or decrease the cost of any article of commerce, or to promote a monopoly may be proceeded against and restrained from doing business. If the combination is declared to be illegal, the use of the mails is withheld, and the transportation of the product of such a corporation from one state to another is forbidden. Products of such illegal combinations are forfeited to the United States, and transportation companies are forbidden under penalty of fine and imprisonment to carry such goods. It is specifically provided, in the new amendment, that no person can be excused from testifying on the ground that his evidence might tend to incriminate himself; such witness, however, is protected against prosecution based on his own evidence. Finally, the bill specifically excepts labor organizations from its operations.

How was the bill amending the anti-trust law received by both political parties?

This bill, proposing such radical amendments to the Sherman anti-trust law met the views of members of the House of all parties. It was admitted that if passed and honestly enforced, the new law would certainly destroy trusts, although it was admitted at the same time it might be used to blackmail legitimate combinations. The unanimity with which both parties in the House took up this new trust measure is shown by the fact that

it was passed by the extraordinary vote of 274 to 1. Its solitary opponent, Mr. Mann of Illinois, a Republican, had announced his opposition to the bill in advance, on legal grounds.

Which party got the most political capital out of its anti-trust campaign in the House?

From a political point of view, the trust campaign in the House closed with a distinct advantage to the Republicans. Both parties had voted without hesitation for the amendments to the Sherman law, containing the most radical anti-monopoly legislation ever passed by either branch of Congress. The Republicans had the advantage, however, of having voted solidly for a constitutional amendment, while the Democrats, by their votes in the opposition, had prevented the constitutional amendment from ceiving the necessary two-thirds vote.

Party advantage aside, how have all the people fared?

So far as the interests of the people are concerned, there has been a distinct advance. The constitutional amendment was defeated June 1, but that mattered little, because the amendment could not have been ratified at best for months or years, and even then it would have to be followed by legislation. The following day, June 2, however, the radical anti-trust amendments gathered into a bill bearing the name of Mr. Ray, chairman of the committee, were passed and sent over to the Senate, where they can be acted upon at any time before March 4, 1901.

What did the Senate do with the bill amending the anti-trust law?

As soon as the Ray bill reached the Senate, the opposition leaders were quick to seize the opportunity to make up for the political ground lost at the other end of the capitol. They demanded immediate action on the House bill without reference to a committee. The Republican leaders insisted on reference to the committee, which of course meant the prevention of all action until the following winter. The issue was joined on this question, and the House bill was referred to a committee by a vote of 43 to 23, the Republicans voting for, and the regular Democrats, Populists and silver men against the reference.

Which party enters the presidential campaign the stronger for its anti-trust campaign in Congress?

While the Republicans secured a temporary advantage in the House, the political advantage belonged to the Democrats, who put the Republicans in the Senate on record as voting to delay action on an anti-trust bill which had passed the House by the practically unanimous vote of all political parties. This record in the Senate, coupled with the fact that the Republicans controlled both branches of Congress and the executive departments,

but still have failed to punish, or even prosecute any trusts, renders the political advantage in the presidential campaign decidedly a Democratic one, in the opinion of congressional critics.

If the people make up their minds in the present campaign that trusts must be operated upon, what can they do?

Taking into consideration solely the interests of the public, without regard to the political party chiefly to be praised or blamed, there has undoubtedly been taken an important step forward in the control or the prevention of dangerous combinations of capital. The Ray bill has been passed by the House, and referred to the judiciary committee of the Senate. There is ample time next winter for the passage of that bill, or a modification of it, and if enacted into law, its provisions are so radical, and cover the ground so thoroughly, as to justify fully the belief that the life of dangerous and improper trusts would either be cut off, or at least rendered less easy. Out of the partisan plans of the leaders has come a distinct public good, so that if the people are really in earnest, they may easily force the Senate next winter to take the desired action.

PRICES AND WAGES.

XXIV.

What has Prof. Jenks, as expert to the Industrial Commission, found to be the effect of the sugar trust upon prices of sugar?

In Prof. Jenks' late book, "The Trust Problem," is reprinted with some changes and additions the matter on prices contributed to the preliminary report on trusts of the Industrial Commission. In his chapter on prices Prof. Jenks records the results of an expert's scientific and exhaustive study of the effects which trusts have had upon the prices of sugar, whisky, petroleum, tin plate and steel and wire; and declares his belief that "they are sufficiently typical, so that they represent fairly well the actual effects of combination up to date. Similar studies of many other articles show, in the main, the same general results." The fluctuations in the prices of these articles can best be studied by reference to the charts in Prof. Jenks' book—in the briefest way Prof. Jenks' conclusions may be summed up like this: The sugar trust was

Daily paper, May 31, 1900: "The American Sugar Refining Company advanced all grades of refined sugars ten cents per 100 pounds today, raising the price of granulated to five and a half cents a pound. The consolidation is announced of the Mollenhauer, National and Doscher (New York Sugar Refining Company) refineries under the name of the National Sugar Refining Company of New Jersey, with a capital of \$10,000,000 preferred stock and an amount of common yet to be determined. The sugar fight is approaching a settlement, if, indeed, it is not already settled. The new company which is to absorb the three refineries is to be controlled by the American Sugar Refining Company and this deal really means the virtual buying up of the independent refineries."

Daily paper, July 9, 1900: "The American Sugar Refining Company advanced the prices on all grades of refined sugars 10 points today. The rise was immediately met by the independent houses. This makes the eighth increase within two months. The price of refined sugar is now higher than it has been at any time within the past nine years. Fine granulated sugar is 5.79 cents a pound net. Despite the explanation of the sugar trade that the recent series of advances is due to the strong demand for sugar and the shrinkage in supply, it was held in Wall street circles that the advances ordered by the trust and met by the National and the Arbuckles signify some sort of an understanding between the trusts and the independents."

formed in 1887, and the margin was raised, at times, fully a cent a pound. In 1888 and 1889, with reduction in cost of manufacture, trust profits must have been enormous. In 1889 the Spreckels refineries at Philadelphia forced prices down, and for two years prices remained as low as prevailed before the trust was formed. In February, 1892, the trust bought the competing refineries and the margin rose to the non-competitive height. From 1892 to 1898 the margin remained, relatively speaking, high, with a slight gradual lessening. In the latter part of 1898 Arbuckle Brothers, Claus Doscher and others began a vigorous fight against the trust, now reorganized under the name of the American Sugar Refining Company. The result is that prices have fallen at times even lower than 50 cents per 100 pounds, instead of keeping the monopoly rate of 75 cents and \$1; but it is not clear that the trust's competitors have made any money. The combination has been able, within considerable limits, to control prices, with or without competitors. It has cut prices to drive out rivals rather than risk letting them take its market. The trust seems to have had little if any effect in steadying prices. "Unrestricted competition among powerful rivals in an industry of this character would lead, it would seem, to very great fluctuations in prices from those abnormally, not to say ruinously, low to those abnormally high." Arbuckle Brothers claim that sugar can be refined without loss with a margin of from 50 to 60 cents. Mr. Doscher says it can be done at 50. Mr. Havemeyer, head of the trust, claims the margin necessary for profit should be 75 cents a hundred.

What has been the policy, and its results, of the whisky trust?

The whisky trust was formed in 1887. At once prices were cut to force competitors into the trust; but within a few months prices were raised and profits became very large. These profits began competition, and in 1889 prices were again cut for the same reason. For some two or three years after prices were kept fairly high. "Since the formation of the American Spirits Manufacturing Company, in 1895, while the business has been somewhat more stable than during the last years of the Distilling & Cattle Feeding Company, at no time until very lately has the com-

"The supposed reduction in the demand for labor is a myth. There may be a change of direction of labor, which results in the reduction of demand and lowering of wages at certain times or in certain lines of acquired skill, but the general effect, other things being equal, is to put money wages up rather than down. In the second place the machinery can be made profitable only by increased use of its products, and this can not be attained except by creating a popular sale, by putting them in the reach of the laborer instead of confining their use to the capitalist."—Arthur T. Hadley on "The Good and Evil of Industrial Combination," *Atlantic*, March, 1897.

bination had complete enough control of the market to be sure of steady prices and corresponding profits." It would appear that "the whisky combinations have been able to hold prices and profits high only for short periods, inasmuch as they have almost invariably attempted to overreach and secure too high profits."

How has the Standard Oil used its monopoly?

With respect to the control of the Standard Oil company over the oil market, it may be said that in 1896, in New York, the Pure Oil company entered the field against the Standard, and the rapid fall in refined oil was, it is claimed, due to this competition. The Standard explains that the price of crude oil was rapidly falling. The Standard Oil trust was formed in 1882, though the oil refiners had been associated for the ten years previous. From 1882, for eight or nine years there has been only a slight decrease in the margin; but between 1891 and 1898 the margin seems to have been about a cent lower, and the period of smallest margin—that is, the difference between the price of crude and refined oil—seems to have been in 1893 and 1894. In view of the decided increase of late years in the value of the by-products, Prof. Jenks remarks that "it was perhaps to be expected that the price of refined petroleum, as compared with that of crude, would have lessened still more than has been the case." During the last two years there has been a decided increase, not merely in the price of refined petroleum, but also in the margin between crude and refined. For the last year this higher margin is to be partly explained by the added cost of refining, coming from the increase in cost of supplies, so that the profits have not been so much greater than they were before, as might be inferred. The Standard concedes the charge of arbitrary action to ruin competitors to be true in special cases.

What is the price history of the tin plate trust?

Within the last two years tin plate has increased from about \$14 a hundred to double that price. The elements of this increase appear largely in the increase in the price of steel and of labor, the latter having been advanced some 20 per cent. "From the beginning of 1895 to the middle of 1897, in spite of one decided drop in the latter part of 1895, the difference between the cost of

"If prices are high in a particular line of industry a number of capitalists will simultaneously arrange to take advantage of those prices and to secure a share of the exceptional profits which have prevailed. When a great many people try to do this prices will fall and all investments in that line, old as well as new, may be rendered unprofitable. This state of things is known as overproduction. The use of the term overproduction does not mean that more goods are produced than the community can consume, but more than the community can pay for at prices which cover the expense to the producers."—From "Economics," by Arthur T. Hadley.

material and labor and the selling price of the tin plate remained somewhat above \$1, say \$1.10 to \$1.20 a box. During 1897 there was a decline in prices with a more decided fall in the margin between the prices of the raw material and the finished product, which, with slight variations, continued downward until 1898. Before the organization of the American Tin Plate Company, in December, 1898, there had been, in October, a decided increase in the price of tin plate, and this increase had been more than proportionate to the increase in the price of the raw material, which had advanced as early as July. It was of course known to most of the manufacturers that a combination would be formed, and presumably the most vigorous competition had ceased. This increase in the margin between cost and selling price continued rapidly until March, 1899. From that time there has been no further general increase in the margin, although there have been fluctuations. Since March, 1899, the increase in the price of American tin plate has not, on the whole, been more than the increase in the value of the raw material plus the increase in labor cost, facts which were testified to in October by officers of the combination. Data seem to show that the combination had power at the beginning to press the advantage that came with combination. "While the margin may be at present no higher than it was in 1896, it is perhaps fair to assume that the cost of manufacture has been somewhat lessened, and that, in consequence, the profits would be now rather higher than they were before, when the margin was the same, if the added price of raw material did not demand an increase in the margin large enough to offset the decrease in cost of manufacture."

How is the rise in the price of wire explained?

The noticeable phenomenon in the steel and wire trade was the rapid increase in all prices in 1899. "This increase is to be chiefly ascribed to the enormous demand both at home and abroad for steel of all kinds. The marked increase in the price of steel billets began in November, 1898; the increase in the price of wire nails followed in the succeeding month, and both have increased very rapidly during most of the time since. The American Steel & Wire company, which controls from 65 to 95 per cent of the output of wire nails, was formed January, 1899. In addition to the

"The idea that modern consolidated capital and modern machinery tend to compete with labor and displace it is based on a radically wrong conception. Modern machinery is commonly spoken of as 'labor-saving'—it is really not so much labor-saving as product-making. It does not, as a rule, enable the community to get the old amount of service with diminished labor; rather it enables the community to get a vastly increased service with increased labor."—Arthur T. Hadley on "The Good and Evil of Industrial Combination," *Atlantic*, March, 1897.

increase in the price of steel billets there has also been a decided increase in the wages of the laborers engaged in the manufacture of wire and wire nails. The testimony seems to be uniform that none of the manufacturers has been able to meet the demand, "but in this case, as in the case of tin plate, it seems certain that the combination was able to make the best use of its opportunities, for margins as well as prices of products increased rapidly from the date of combination."

What are the trusts doing with wages?

It cannot yet be satisfactorily determined what effect the trusts will have upon wages. Within the last two or three years the combinations in iron, steel and tin plate have raised wages, but, on the other hand, some have closed plants without warning. Wages seemed to have responded to the market, rather than to have been raised through the impulses of philanthropy. Business has been prosperous, prices high, and labor has got some of the things it asked for. "It is probably true," writes Prof. Jenks, "that in most cases the relations between the combinations and their employees have been and will remain substantially the same as those between

In the constant struggle of the masses for their rights a fact to be counted upon is the rise of the common man in economic importance. The common man isn't giving as much of his labor in exchange for the services of capital and management as he formerly did. Capital is more abundant, and the men who can manage an industry are more plentiful than they once were, and such men do not rate as high, compared with the mechanic or laborer, as they used to. "The accumulation of wealth and the achievements of inventive genius have resulted in an unavoidable competition to serve the buying masses. The common man has been placed in a more commanding position and given a larger share of the joint production of capital and labor than he has ever had before this time. The earnings of capital per unit of product have been constantly declining, and this loss to capital has been distributed, commonly by means of lower prices, to the millions."—George W. Roberts, Director of the Mint, in "Why the Trusts Cannot Control Prices," in *American Monthly Review of Reviews*, September, 1899.

"In comparing our large factories of today with the smallness of two generations past we find, on the whole, that the ratio of wage payments to interest and dividends is larger now than it was then. The margin of profit has been narrowing more conspicuously than the piece price for labor has been diminishing. The large capital and its earnings make a greater impression on the public mind than did the numerous small capitals of independent producers; but it is not probable that the aggregate valuation or remuneration of capital today has increased proportionately with the increase of demand for labor. We are not warranted in assuming, as so many of the socialists do, that profits are growing enormously and are to be regarded as sums withheld from labor. They are in most cases not disproportionate to the chances of loss. A very slight change in efficiency of management may readily convert the capitalist's surplus into a deficit. The charge made by the capitalist class for their services in industrial speculation cannot be regarded as immoderate, if the work is well done."—From "Economics," by Arthur T. Hadley.

the officers of any large corporation and their workingmen. In individual instances wages may be increased without special demands being made, but that will probably rarely be the case."

What is the outlook for labor in the great industrial battle?

While there are exceptions, nearly all of the combinations have assumed no hostile attitude toward trade unions, and the unions rather favor the combinations, thinking they have it in their power to get their share of the savings. The possibilities of the complete consolidation—unionizing—of labor in separate industries are considered by labor leaders like Samuel Gompers, president of the Federation of Labor, as a way to put labor and capital on a more equal footing. It will be a three-cornered struggle that arranges the disposition of the new fund of wealth created by industrial combination—the capitalist will claim it as creator, the workman will claim it in higher wages, and the consumer will claim it in lower prices, and the consumer will say that "these savings would not have been possible save under modern social and economic conditions and laws, for which society as a whole, and no one special class, should have credit." In the case of contest between organized capital and organized labor, the public will probably side with labor.

Prof. Jenks duly recognizes the displacement that commercial travelers and the high-class employes of the constituent corporations of trusts have suffered, but as an economist he reasons that "if the work is rendered really no longer necessary in order to

When labor was regarded as a commodity, a thing to be bought and sold, English and American courts held combinations to raise wages were conspiracies. As late as 1834 six laborers in Dorchester, England, were sent as convicts to Botany Bay for forming a labor organization which had not asked an advance in wages. In 1870 was passed a law in New York declaring it not a criminal conspiracy to combine to raise and maintain wages; and of this enlargement of the rights of labor the supreme court of Pennsylvania said: "The moment the legislature relieved one and by far the larger number of the citizens of the commonwealth from the common law prohibitions against combinations to raise the price of labor, and by a combination the price was raised, down went the foundation on which common law conspiracy was based, as to that particular subject."

"We have no body of statistics sufficiently large and accurate to tell us all that we would like to know about monopoly price. We may, however, say that such researches as we have had indicate that in the case of monopoly prices of all important articles and services, the price which will yield the largest net returns is far higher than the competitive price, in cases where it is possible to have a truly competitive price; and that in the case of those services which are of such a nature that it is impossible to tell what a competitive price is, for example, municipal monopolies, the price will be far higher than that yielding normal returns. It appears to be a moderate statement that monopoly price will frequently go one hundred per cent above the competitive price."—Prof. Richard T. Ely.

supply the needs of consumers, or if the work can be equally well done by fewer men, the saving of this labor is a distinct industrial gain similar to that which is found upon the introduction of a new machine. However, the industrial effect depends, of course, on the use that is made of these savings. If they go entirely to increase the salaries of the officers that remain, or perhaps even in dividends to the stockholders, the savings will be considered of less general industrial benefit than if they go, to a considerable degree at least, to the public in the way of reduced prices, or to the common laborers in increased wages."

"Experience so far would seem to show that labor has been made more efficient by combinations of capital; that, owing to the better organization, there is a larger average output per workman, and that the benefits of this increased efficiency have been divided between employers and workmen, the consumer receiving as yet relatively little benefit directly. The last two years, however, have been very exceptional, and it is as yet too soon to speak with certainty as to ultimate results. So far, at any rate, no damage to the laborers as a class seems to have resulted, either in the way of decreased wages, in spite of the classes mentioned that have clearly been injured, or in the way of less steadiness of employment. If the power of the labor organizations keeps itself

Lloyd Brice in *North American Review*, June, 1897: "In the development of combinations in past (25) years two tendencies have been pronounced—a rise in wages and a fall in prices. Witness this table prepared by the *Street Railway Review*:

What a unit would buy (in 1886):

100 per cent.

What same unit would buy in 1896:

Street car rides.....	337.5
Bricks	178
Steel rails	174
Silver	145
Sugar	137
Portland cement	136
Wheat	134
Corn	131
Cotton	122
Coal	118
Salt pork	85

A like reduction in prices appears in every department of industry.

	No. of operatives.	Wages paid millions.	Dollars per operative.
1860.....	1,311,000	379	289
1870.....	2,054,000	620	302
1880.....	4,733,000	948	347
1890.....	4,713,000	2,283	485

commensurate with that of the combinations of capital, it is probable that the tendency toward the combination of these two at the expense of the consumer will, for a time at least, increase."

* * * * *

From weekly Review of Trade, by R. G. Dun & Co., May 11, 1900:

"With wholesome promptness the country is recovering from the embarrassment of unnaturally high prices. In some lines the great manufacturing associations have taken the lead; in others reduction is still deferred because the entire producing capacity is engaged at high prices for some months to come; in others it comes in spite of resistance, because buyers hold back orders for their own protection until material concessions are made. No disturbance nor stringency of credits results, nor any sign of alarm, and *the movement is perhaps more healthy than it could have been if entirely controlled by the competition of many small concerns.*"

"Contrary to the popular opinion, competitive prices are frequently, if not usually, high prices."—"The Trust Problem," by Prof. J. W. Jenks.

A PARTIAL CATALOGUE OF TRUSTS.

XXV.

How many trusts are there?

To number and characterize them with accuracy is more than difficult. In 1894 Henry D. Lloyd, in his story of the Standard Oil trust, "Wealth Against Commonwealth," compiled a partial list of trade combinations or trusts, accomplished or attempted chiefly in the United States. This list comprised 425 articles and lines of manufacture.

In the "American Monthly Review of Reviews" for June, 1899, Byron W. Holt listed 132 of the greater combinations, each with capitalization of \$10,000,000 or more.

In the same year in its commercial year book the New York "Journal of Commerce and Commercial Bulletin" listed 353, with a capitalization of \$5,832,882,842.

In Charles W. Baker's "Monopolies and the People," July, 1899, are enumerated 172 trusts, with a total capitalization of \$4,188,261,800.

In the "Chicago Banker" for July, 1899, are enumerated 415 trusts, with a total capitalization of \$7,516,235,842.

In the "Chicago Daily News Almanac" for 1900 are enumerated 595, with a total capitalization of \$9,551,184,950. Of this enormous total the common stock amounted to \$7,318,844,000, and the preferred to \$2,232,340,950.

In "Trusts or Competition," 1900, General A. B. Nettleton, are enumerated 130 leading trusts, each capitalized at \$10,000,000 or more, and all furnishing total capitalization of \$4,014,149,000.

"Wealth Against Commonwealth," Henry D. Lloyd: "The committee of Congress investigating trusts in 1899 did not report any list of these combinations to control markets, for the reason that new ones are constantly forming, and that old ones are constantly extending their relations, so as to cover new branches of the business, and invade new territories. It is true that such a list, like a dictionary, would begin to be wrong the moment it began to appear. But though only an instantaneous photograph of the whirlwind, it would give an idea, to be gained in no other way, of a movement shadowing two hemispheres."

General Nettleton estimates the capitalization of certain lesser trusts at \$600,000,000, and of local trusts, not including transportation companies, at \$385,851,000, making a grand total of \$5,000,000,000. His capitalization figures represent securities issued, in all cases where the information was obtainable. He refrains from enumerating others than those he considers typical monopoly trusts, therefore excluding countless agreements, understandings and voluntary protective associations. To exaggerate the trust movement in this manner he considers an ill-advised practice.

In the "Commercial and Financial Chronicle" (New York), March 24, 1900, are enumerated all the trusts having a capital of \$1,000,000, incorporated in the banner year 1899, that were going or showed some life at the close of the year. The total is 347, with an authorized capital of \$3,593,530,000.

What then did the trust movement of 1899 amount to?

It amounted to a total authorized capitalization of three billion, five hundred million dollars, which represents from 35 to 45 per cent of all the authorized capitalization created in all the previous years of trusts, or in more than a quarter of a century.

Can the articles entering into trust products any longer be enumerated?

Not accurately, so extensive has become trust production, since combination began to appropriate the petroleum industry in 1872. At best statistics about the growth of trusts can be but suggestive. For instance, in 1894, Henry D. Lloyd, enumerating some 425 articles and lines of manufacture, in trusts or proposed trusts, in the United States and Great Britain, classified products and industries as follows, some articles being in national trusts and some produced in several sectional trusts:

22 Light, heat and power.	9 Railroad pools, material, elevators and express companies.
28 Chemicals.	
13 Metals.	27 Building.
72 Instruments and materials of industry.	12 School, library and counting room.
29 Farm and plantation (agricultural implements).	27 Articles for the person.
8 Guns, ammunition, etc.	11 Home in general.
9 Smoking and drinking.	11 Laundry.
22 Kitchen.	12 Parlor.
9 Dining-room.	4 Bedroom.
3 Bathroom.	14 "Life and Death." (Drugs, coffins, tombstones, life insurance, etc.)
32 Food.	15 Miscellaneous.
15 Traffic and travel.	
11 Shipping.	

The list prepared by Charles W. Baker, in 1899, permits a broad classification something like this:

FOOD PRODUCTS.

Sugar, cane, beet and glucose.	Condensed milk.
Caramels.	Dairy products.
Flour.	Fruit.
Starch.	Vinegar.
Oatmeal.	Meats,
Rice.	Chewing gum.
Biscuit.	Baking powder.
Fish.	Ice.

PAPER.

Writing.	Strawboard.
Bags.	Wall.
Envelopes.	Tissue.

TEXTILES.

Felt.	Twine.
Thread.	Carpets.
Rope.	Wool Products.

WOOD.

Caskets.	School furniture.
Chairs.	Lasts.

CHEMICALS, OILS, PAINTS, ETC.

White lead.	Celluloid.
Linseed oil.	Dyestuffs and extracts.
Varnish.	Ink.
Cotton oil.	Fertilizers.
Petroleum products.	Matches.
Mineral paint.	Soda.
Glue.	Borax.
Salt.	Carbide.

IRON AND STEEL.

Plates, hoops, chains, nails, tubes, beams, rails, etc., etc., etc.

How may the number of trusts in various industries be shown?

Charles W. Baker's list permits the following classification, the data believed by the collector to be trustworthy at least up to July, 1899.

Twenty-six trusts in food products. Total authorized capitalization	\$ 487,205,000
Thirteen trusts in malt and spirituous liquors	241,225,000
Five trusts in tobacco	185,000,000
Ten trusts in paper	175,000,000
Ten trusts in textile industries	175,000,000
Seven trusts in leather and rubber	300,131,800
Four trusts in wood products	48,500,000
Nine trusts in glass and clay industries	114,000,000
Twenty-three trusts in chemicals, oils, paints, etc.	526,900,000
Twenty-three trusts in iron and steel products	1,113,950,000
Twenty-seven trusts in machinery and hardware	357,822,000
Five trusts of electrical manufacturers	97,777,000
Nine trusts in minerals, metals and metal products	237,450,000
	<hr/>
	\$4,188,261,800

How may some of the great trusts be classified as to articles and industries?

Charles W. Baker's classification, made in 1899, is as follows:

FOOD PRODUCTS.

American Sugar Refining Co.	\$ 110,000,000
American Beet Sugar Co.	20,000,000
Glucose Sugar Refining Co.	40,000,000
United States Flour Milling Co.	16,000,000
National Starch Manufacturing Co.	15,000,000
American Cereal Co. (oatmeal)	4,950,000
National Rice Milling Co.	2,000,000
National Biscuit Co.	55,000,000
American Fisheries Co.	10,000,000
A. Booth & Co. (Lake fisheries)	7,500,000
Borden Condensed Milk Co.	20,000,000
New England Dairy Co.	30,000,000
Farm and Dairy Product Co.	15,000,000
United Fruit Co.	20,000,000
Swift & Co.	20,000,000
Erie Preserving Co.	20,000,000
American Chicle Co. (chewing gum)	9,000,000
Royal Baking Powder Co.	20,000,000
Consolidated Ice Co.	11,255,000
Pillsbury-Washburn Flour Mills	10,000,000
American Caramel Co.	1,500,000
Pacific Coast Biscuit Co.	4,000,000
Pacific American Fisheries Co.	5,000,000
Standard Sardine Co.	5,000,000
American Vinegar Co.	11,000,000

DISTILLING AND BREWING.

Distilling Company of America, formed June, 1899, by combination of American Spirits Manufacturing Company, \$37,000,000; Kentucky Distilleries & Warehouse Company, \$32,000,000; Standard Distilling and Distributing Company, \$24,000,000; Merchants' Distilling and Distributing Company, \$5,000,000	\$ 125,000,000
American Malting Co.	30,000,000
San Francisco Brewing Co.	20,000,000
Cleveland-Sandusky Brewing Co.	12,000,000

United Brewers Co. (Chicago).....	\$ 8,876,000
Maryland Brewing Co.	14,000,000
Pittsburg Brewing Co.	19,500,000
Springfield Brewers Co.	3,450,000
Pennsylvania Central Brewing Co.	8,400,000

TOBACCO.

Havana Commercial Co.	\$20,000,000
Union Tobacco Co.	24,000,000
Atlantic Snuff Co.	10,000,000
Continental Tobacco Co.	75,000,000
American Tobacco Co.	56,000,000

PAPERS.

American Writing Paper (forming).....	\$25,000,000
Union Bag & Paper Co.	27,000,000
International Paper Co.	55,000,000
United States Envelope Co.	6,750,000
American Enameled Paper Co.	10,000,000
American Strawboard Co.	7,250,000
National Strawboard Co.	6,000,000
National Wall Paper Co.	30,000,000
American Book Co. (school books).....	5,000,000
United Paper Co. (tissue)	3,000,000

TEXTILE INDUSTRIES.

American Felt Co.	\$ 5,000,000
American Thread Co.	18,000,000
Standard Rope & Twine Co.	22,500,000
National Carpet Co. (forming)	50,000,000
American Silk Manufacturing Co.	50,000,000
American Ginning Co.	5,000,000
Indo-Egyptian Compress Co.	15,000,000
United States Worsted Co. (forming)	70,000,000
American Jute Bagging Co.	2,800,000
American Woolen Co.	65,000,000

LEATHER AND RUBBER.

American Hide & Leather Co.	\$ 70,000,000
American Saddle Co.	1,800,000
United States Leather Co.	130,331,800
Rubber Goods Manufacturing Co.	50,000,000
American Hard Rubber Co.	2,500,000
United States Rubber Co.	39,500,000
Manufactured Rubber Co.	6,000,000

WOOD PRODUCTS.

National Casket Co.	\$10,000,000
United States Chair Co.	25,000,000
American School Furniture Co.	10,000,000
American Last Co.	3,500,000

GLASS AND CLAY INDUSTRIES.

Trenton Potteries Co.	\$ 3,000,000
Federal Sewer Pipe Co.	25,000,000
American Brick Co., N. Y.	15,000,000
Brick Combination, Chicago	8,000,000

Pittsburg Plate Glass Co.	\$ 10,000,000
National Glass Co.	9,000,000
Macbeth-Evans Glass Co.	2,000,000
American Window Glass Co.	30,000,000
American Flint Glass Co.	12,000,000

CHEMICALS, OILS, PAINTS, ETC.

National Lead Co. (white lead)	\$30,000,000
American Linseed Oil Co.	33,500,000
United States Varnish Co.	36,000,000
American Cotton Oil Co.	34,800,000
Continental Cotton Oil Co.	6,000,000
Standard Oil Co.	110,000,000
Mineral Paint Co. (forming)	12,000,000
American Glue Co.	2,100,000
Continental Cotton Oil Co.	10,000,000
United States Glue Co. (forming)	25,000,000
National Salt Co.	12,000,000
Celluloid Co.
U. S. Dyewood and Extract Co.	10,000,000
Federal Ink and Supply Co.	18,500,000
International Cement Co.	50,000,000
United Alkali Co., London.	35,000,000
American Agricultural Chemical Co. (fertilizers)	40,000,000
Diamond Match Co.	11,000,000
Virginia Carolina Chemical Co.	12,000,000
American Soda Co.	1,000,000
Borax Consolidated Co.	7,000,000
General Chemical Co.	25,000,000
Union Carbide Co.	6,000,000

\$526,900,000

IRON AND STEEL PRODUCTS.

Carnegie Steel Co.	\$250,000,000
Federal Steel Co.	200,000,000
National Steel Co.	59,000,000
Republic Iron and Steel Co. (steel sheets)	55,000,000
Cambria Steel Co.	17,000,000
Pennsylvania Steel Co.	12,250,000
Park Steel Co.	10,000,000
Bethlehem Steel Co.	15,000,000
American Steel Casting Co.	4,200,000
Tennessee Coal, Iron and R. R. Co.	31,500,000
American Steel and Wire Co.	90,000,000
American Tin Plate Co.	50,000,000
American Steel Hoop Co.	33,000,000
American Hoop and Band Co.	22,000,000
Union Steel and Chain Co.	60,000,000
American Ship Building Co.	30,000,000
National Tin Plate and Stamped Ware Co.	20,000,000
National Enameling and Stamping Co.	20,000,000
National Metallic Roofing Co.	10,000,000
International Car Wheel Co.	15,000,000
United States Cast Iron Pipe and Foundry Co.	30,000,000
Shelby Steel Tube Co.	10,000,000
National Tube Co.	60,000,000

\$1,113,950,000

MACHINERY AND HARDWARE.

International Steam Pump Co.	\$ 27,500,000
American Car and Foundry Co.	60,000,000
Barney and Smith Car Co.	4,500,000
Pressed Steel Car Co.	25,000,000
E. W. Bliss Co. (sheet metal presses)
Consolidated Car Heating Co.	1,000,000
United Shoe Machinery Co.	25,000,000
American Railway Equipment Co.	22,000,000
Union Switch and Signal Co.	2,500,000
American Wood-working Machine Co.	4,000,000
National Shear Co.	3,000,000
Otis Elevator Co.	11,000,000
International Heater Co.	1,800,000
American Radiator Co.	10,000,000
National Harrow Co.	2,000,000
American Wringer Co.	2,500,000
Herring-Hall-Marvin Co.	3,300,000
American Machine Co. (sewing machines)	10,000,000
American Axe and Tool Co.	3,872,000
American Bicycle Co. (forming)	80,000,000
American Soda Fountain Co.	3,750,000
National Screw Co.	10,000,000
Atlas Tack Co.	2,100,000
Torrington Needle Co.	4,000,000
Union Typewriter Co.	18,000,000
American Pneumatic Service Co.	15,000,000
Oil Stove Manufacturers	6,000,000
	<hr/>
	\$357,822,000

ELECTRICAL MANUFACTURERS.

Electric Boat Co.	\$10,000,000
National Carbon Co.	10,000,000
General Electric Co.	20,827,000
Westinghouse Electric Co.	22,950,000
American Bell Telephone Co.	34,000,000
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	\$97,777,000

MINERALS, METALS AND METAL PRODUCTS.

American Smelting and Refining Co.	\$ 65,000,000
Amalgamated Copper Co.	75,000,000
Standard Metal Co. (car journal bearings)	5,200,000
American Type Founders Co.	3,750,000
American Plumbing Supply and Lead Co.	35,000,000
American Brass Co.	20,000,000
International Silver Co.	24,500,000
United Zinc and Lead Co.	6,000,000
Vermont Marble Co.	3,000,000
	<hr/>
	\$237,450,000
Grand total	<hr/>
	\$4,188,261,800

Where were some of the 415 trusts enumerated by the "Chicago Banker" chartered?

One hundred and twenty-six were chartered in New Jersey, 21 in New York and 9 in Illinois.

What are the Illinois corporations?

American Strawboard Company, 19 plants, common stock, \$6,000,000. A. Booth & Co., fish and oysters, 43 concerns, stock \$5,500,000; bonds \$2,000,000. Chicago Consolidated Traction Company, 8 suburban companies, common stock \$14,000,000, bonds \$4,619,500. Diamond Match Company (also chartered in England), common stock \$11,000,000. Lake Dredgers' Association, 123 owners on Great Lakes, common stock \$10,000,000. People's Gas Light & Coke Co., absorbed new Chicago companies in 1898; common stock \$28,750,000, bonds \$37,746,000. Springfield Coal Association, common stock \$4,000,000. Swift & Company (beef), common stock \$20,000,000. United Ice Cream Company, four companies in Chicago, common stock \$300,000.

Where are the main offices of some of the above mentioned 415 trusts?

In New York City about 70 of this list of trusts have their main offices. Others are distributed somewhat as follows: Chicago, 33; Philadelphia, 11; Pittsburg, 15; Boston, 9; Kansas City, 6; Cleveland, Minneapolis and Kansas City, 4; Brooklyn, Baltimore and Detroit, 3.

What are some of the trusts with Chicago offices?

The "Chicago Banker" notes the following: American Linseed Company; American Steel & Wire Company; American Radiator Company, A. Booth & Co.; Broom Manufacturers' Association of the United States; Chicago Junction Railway & Union Stock Yards Company; Chicago Sash, Door & Blind Company; City of Chicago Brewing & Malting Company (English and American); Diamond Match Company; Glucose Sugar Refining Company; Knickerbocker Ice Company (all Chicago companies); National Biscuit Company; Pacific American Fisheries Company; Republic Iron and Steel Company; Swift & Company; United Breweries Company (Chicago); United States Furniture Company (school); Western Union Fire Insurance Association.

What trusts illustrate the tendency toward consolidation of public utilities in cities, and in certain forms of transportation?

Atlantic Passenger Steamship Pool, common stock \$100,000,000.

Baltimore Electric Light Company, common stock \$5,000,000, bonds \$4,000,000.

Bay State Gas Company (in and near Boston), common stock \$100,000,000, bonds \$14,000,000.

Brooklyn Rapid Transit Company, common stock \$45,000,000, bonds \$7,000,000.

Brooklyn Union Gas Company, common stock \$15,000,000, bonds \$15,000,000.

Brooklyn Wharf and Warehouse Company, common stock \$12,500,000, bonds \$17,500,000.

Buffalo City Gas Company, common stock \$5,500,000, bonds \$6,905,000.

Central Electric Railway of Kansas City, common stock \$5,000,000.

Central Hudson Steamboat Company, common stock \$1,000,000, bonds \$500,000.

Central Union Telephone Company (consolidation of Bell Telephone companies in certain cities of Indiana, Illinois and Ohio), common stock, \$6,605,300, bonds \$8,150,000.

Central Union Gas Company (17 gas and electric lighting companies in Ohio and Indiana), common stock \$14,000,000.

Chicago City Railway Company, common stock \$14,000,000, bonds \$4,619,500.

Chicago Consolidated Traction Company, common stock \$14,400,000, bonds \$6,500,000.

Chicago Union Traction, common stock, \$20,000,000; preferred stock, \$12,000,000.

Chicago Edison Company, common stock \$4,975,000, bonds \$4,458,000.

Chicago Junction Railway and Union Stock Yards Company, common stock \$6,500,000, bonds \$12,975,000.

Cincinnati Gas Light & Coke Company, common stock \$9,000,000.

Columbus (O.) Gas Light & Heating Company, stock \$5,000,000.

Commonwealth Electric Company (Chicago), common stock, \$3,000,000.

Consolidated City Water Company (Los Angeles), common stock \$2,480,000.

Consolidated Gas Company (Baltimore), common stock \$10,770,968, bonds \$6,782,000.

Consolidated Gas Company (Newark, N. J.), (all companies between Passaic and Elizabeth), common stock \$6,000,000, bonds \$8,625,000.

Consolidated Gas Company (New York City), common stock \$39,078,000, bonds \$2,158,000.

Consolidated Gas Company of Pittsburg (five companies in Western Pennsylvania), stock \$6,500,000, bonds \$5,000,000.

Consolidated Ice Company (all artificial ice companies in Pittsburg), stock \$4,000,000.

Consolidated Traction of New Jersey, common stock \$15,000,000, bonds \$14,545,000.

Consumers' Ice Company (all Indianapolis), common stock \$1,000,000.

Denver City Tramway Company, common stock \$5,000,000, bonds \$2,000,000.

Denver Union Water Company, stock \$7,500,000, bonds \$7,000,000.

Detroit Citizens' Street Railway Company, common stock \$2,650,000, bonds \$6,500,000.

Detroit City Gas Company, common stock \$4,560,000, bonds \$4,969,000.

Edison Electric Illuminating Company (Boston), common stock \$3,744,000.

Edison Electric Illuminating Company (New York City), common stock \$9,200,000, bonds \$6,500,000.

Electric Company of America (gas and electric companies outside of Philadelphia), common stock \$25,000,000.

Erie Telegraph & Telephone Company (four companies in seven western and southern states), common stock \$5,000,000, bonds \$7,000,000.

General Electric Company (Minneapolis) (light, heat and power), common stock \$2,100,000.

Havana Electric Railway Company (electric, gas, telephone, etc), common stock \$5,000,000.

Kansas City Gas Company, common stock \$5,000,000, bonds \$3,750,000.

Kings County (Brooklyn) Electric Light & Power Company, common stock \$1,968,000, bonds \$11,176,000.

Knickerbocker Ice Company (Chicago) common stock \$7,000,000, bonds \$2,000,000.

Laclede Gas Light Company (all St. Louis), stock \$10,000,000, bonds \$10,500,000.

Lake Carriers' Association, common stock \$6,000,000.

Metropolitan Street Railway Company (New York City), common stock \$40,000,000, bonds \$42,061,000.

Milwaukee Electric Railway & Light Company, common stock \$5,494,500.

Minneapolis General Electric Company, common stock \$1,500,000, bonds \$915,000.

Mississippi River Steamboat Pool, common stock \$10,000,000.

New Amsterdam Gas Company (New York City, three companies), common stock \$12,000,000, bonds \$20,005,000.

New England Gas & Coke Company (all in Boston except Bay State), common stock \$14,000,000, bonds \$14,000,000.

New Orleans Water Works Company, common stock \$2,000,000, bonds \$645,000.

New York Gas, Electric Light, Heat & Power Company, common stock \$36,000,000, bonds \$36,000,000.

North Shore Traction Company (controls railways around Boston), stock \$6,000,000.

Pacific States Telephone Company (four telegraph and telephone systems), stock \$10,000,000.

Patterson and Passaic Gas and Electric Company (four companies), common stock \$5,000,000, bonds \$2,845,000.

Pennsylvania Manufacturing, Light & Power Company (all electric companies of Philadelphia), common stock \$15,000,000, bonds \$15,000,000.

People's Gas Light & Coke Company (Buffalo), common stock \$3,025,000, bonds \$7,268,000.

People's Gas Light and Power Company (14 companies in New Jersey), common stock \$20,000,000.

Standard Telephone Company (Missouri; bought Central Missouri Company), common stock \$10,000,000.

Syracuse Rapid Transit Railway Company (all in Syracuse), common stock \$2,750,000, bonds \$2,500,000.

Trenton Gas & Electric Company (four companies), common stock \$2,000,000.

Twin City Rapid Transit Company (all street railways in St. Paul and Minneapolis), stock \$17,462,000, bonds \$509,000.

Union Light & Power Company (four companies of Salt Lake and Ogden), stock \$4,500,000, bonds \$5,250,000.

Union Traction Company (all trolleys in Philadelphia), common stock \$30,000,000.

United Electric Companies, of New Jersey (to unite all companies in Northern New Jersey), common stock \$20,000,000, bonds \$20,000,000.

United Lighting & Heating Company (8 companies oil lighting interests), stock \$12,000,000.

United Power and Transportation Company (to control street railways in Pennsylvania), common stock \$12,500,000.

United Railways and Electric Company (Baltimore), stock \$36,000,000, bonds \$18,000,000.

United Traction and Electric Company (Providence), common stock \$8,000,000, bonds \$8,247,000.

When were the greatest number of trusts incorporated?

In the first six months of 1899, when were organized a great majority of the 347 trusts of 1899, whose capital, including bonds, was \$1,000,000 or over, and amounted to \$3,593,530,000. The magnitude of the trust movement in 1899 is shown in the following tables, which are collated from the still larger list of the great incorporations of 1899, published by the *Commercial and Financial Chronicle*, March 24, 1900. Of its own list the *Chronicle* says: "It is not a mere list of companies which have filed papers

of incorporation at some of the various state capitals. Even in ordinary times there are lots of incorporations which never come to anything. In 1899 the proportion that was still-born was unusually large. It is within the knowledge of everyone that hosts of proposed combinations had to be abandoned. We have taken only such companies as we could ascertain had become going concerns or which showed evident signs of life and vitality. Where a company was formed during the year and was subsequently merged into or absorbed by another, we have taken simply the latter. The compilation does not include any combinations among the railroads involving new capital issues. In the street railway world such combinations have been hardly less of a feature than in the industrial world. One instance is the acquisition by financial interests of all the street car lines in St. Louis and their merger under the title of United Railways Company of St. Louis, having an authorized capital of 20,000,000 preferred stock, \$25,000,000 common stock and \$45,000,000 mortgage bonds, making \$90,000,000, of which about \$52,000,000 has been issued, the remaining \$38,000,000 being reserved for future uses and to retire underlying obligations."

THE NEW FORCE.

Liquid Air Refrigerating and Power Company, common, \$10,000,000.
National Liquid Air, common, \$5,000,000.
Tripler Liquid Air, common, \$10,000,000.

WIRELESS TELEGRAPHY.

Marconi Wireless Telegraph Company of America, common, \$5,000,000 preferred \$5,000,000.

TOBACCO.

American Tobacco; increase in common stock from \$21,000,000 to \$56,000,000.
Continental Tobacco; Increase in stock from \$75,000,000 to \$100,000,000; half common, half preferred.
Havana-American (cigars), common, \$7,000,000; preferred, \$3,000,000.
Havana Commercial (Cuban tobacco), common, \$12,500,000; preferred, \$7,500,000.

TELEPHONE AND TELEGRAPH.

Federal Telephone, common, \$10,000,000.
New York and Boston Telegraph and Telephone; common, \$5,000,000; bonds, \$5,000,000.
People's Telephone Corporation, New York City; common, \$3,000,000; preferred, \$2,000,000.
Telephone, Telegraph and Cable; common, \$30,000,000.
United Telephone and Telegraph; common, \$5,000,000.

LIGHT, HEAT AND POWER.

American Incandescent Lighting; common, \$2,000,000.
American Pneumatic Service; common, \$10,000,000; preferred, \$5,000,000.
Buffalo Gas; common, \$7,000,000; preferred, \$2,000,000; bonds, \$7,000,000.

California Power; common, \$5,000,000; bonds, \$1,000,000.
 Columbian and Electric Car Lighting and Brake; common, \$10,000,000.
 Compressed Air Capsule; common, \$13,500,000; preferred, \$1,500,000.
 Denver Gas and Electric; common, \$3,500,000; bonds, \$5,500,000.
 Electric Company of America; common, \$25,000,000.
 Independent Electric Light and Power of San Francisco; common, \$10,000,000.
 Indiana Heat and Light Company of Mishawaka and South Bend; common, \$5,000,000.
 International Power; common, \$7,400,000; preferred, \$600,000.
 Kern Incandescent Light; common, \$8,000,000; preferred, \$4,000,000.
 Knickerbocker Oil and Gas; common, \$3,000,000; preferred, \$2,000,000.
 Monongahela River Con. Coal and Coke; common, \$20,000,000; preferred, \$10,000,000; bonds, \$10,000,000.
 Minneapolis General Electric; common, \$1,500,000; preferred, \$600,000; bonds, \$2,000,000.
 National Light and Power; common, \$15,000,000.
 New York Gas and Electric Light, Heat and Power; common, \$36,000,000; bonds, \$36,000,000.
 Ohio and Indiana Natural and Illuminating Gas; common, \$10,000,000.
 Philadelphia Electric; common, \$25,000,000; bonds, \$17,500,000.
 Standard Electric Company of California; common, \$5,000,000; bonds, \$5,000,000.
 Storage Power; common, \$5,000,000.
 United Electric Company of New Jersey; common, \$20,000,000; preferred, \$20,000,000.
 United Light and Heating (oil); common, \$6,000,000; preferred, \$6,000,000.

IMPROVEMENTS IN TRANSPORTATION.

American Bicycle; common, \$20,000,000; preferred, \$10,000,000; bonds, \$10,000,000.
 American Electric Vehicle; common, \$4,000,000; preferred, \$1,000,000.
 Anglo-American Rapid Vehicle; common, \$75,000,000.
 Canada Cycle and Motor; common, \$3,000,000; preferred, \$3,000,000.
 Columbia Automobile of New York; common, \$3,000,000.
 Columbian and Electric Vehicle; common, \$5,000,000.
 Continental Automobile; common, \$4,500,000; preferred, \$3,500,000.
 Illinois Electric Vehicle Transportation; common, \$2,500,000.
 International Automobile and Vehicle; common, \$1,500,000; preferred, \$1,500,000.
 Lewis Motor Vehicle; common, \$4,000,000; preferred, \$5,000,000.
 National Cycle and Automobile; common, \$2,500,000.
 New England Electric Vehicle and Transportation; common, \$5,000,000.
 New England Motor Carriage; common, \$1,000,000.
 New York Auto-Truck; common, \$10,000,000.
 New York Electric Vehicle and Transportation; common, \$25,000,000.
 Oakman Motor Vehicle Company of America; common, \$4,500,000; preferred, \$500,000.
 Pennsylvania Electric Vehicle; common, \$4,000,000; preferred, \$2,000,000.
 Riker Electric Vehicle; common, \$5,000,000; preferred, \$2,000,000.
 Rubber Tire Company of America; common, \$5,000,000.
 Single Tube Automobile and Bicycle Tire; common, \$1,000,000.
 United States Motor Vehicle; common, \$500,000; preferred, \$1,000,000.
 United States Vehicle; common, \$25,000,000.
 Washington Electric Vehicle; common, \$1,250,000.
 White Motor Wagon; common, \$7,000,000; preferred, \$3,000,000.
 Woods Motor Vehicle; common, \$7,500,000; preferred, \$2,500,000.

FOOD PRODUCTS.

American Beet Sugar; common, \$15,000,000; preferred, \$5,000,000.
 American Chiclé; common, \$6,000,000; preferred, \$3,000,000.
 American Ice; common, \$30,000,000; preferred, \$30,000,000.
 American Pastry and Manufacturing; common, \$2,000,000; preferred, \$1,000,000.
 Borden's Condensed Milk; common, \$20,000,000.
 California Fruit Cannery Association; common, \$3,500,000.
 Distilling Company of America; common, \$70,000,000; preferred, \$55,000,000.
 Maryland Brewing; common, \$3,250,000; preferred, \$3,250,000; bonds, \$7,500,000.
 National Fish; common, \$5,000,000.
 National Salt; common, \$7,000,000; preferred, \$5,000,000.
 Pacific American Fisheries; common, \$5,000,000.
 Pacific Coast Biscuit; common, \$2,500,000; preferred, \$1,500,000; bonds, \$1,500,000.
 Pennsylvania Sugar Refining; common, \$8,000,000.
 Pittsburg Brewing; common, \$6,500,000; preferred, \$6,500,000; bonds, \$6,500,000.
 Royal Baking Powder; common, \$10,000,000; preferred, \$10,000,000.
 Spreckles Sugar Refinery; common, \$5,000,000.
 Springfield (Mass.) Breweries; common, \$1,500,000; preferred, \$1,500,000; bonds, \$1,500,000.
 Standard Sardine; common, \$5,000,000.
 United Fruit; common, \$20,000,000; bonds, \$3,500,000.
 *United States Flour Milling; common, \$12,500,000; preferred, \$12,500,000; bonds, \$15,000,000.
 United States Glucose; common, \$2,000,000; preferred, \$3,000,000.

MACHINERY.

Acetylene Gas Machine Improvement; common, \$700,000; preferred, \$300,000.
 American Ginning; common, \$5,000,000.
 Continental Gin of New York; common, \$3,000,000; bonds, \$750,000.
 American Warp Drawing Machine; common, \$2,300,000; preferred, \$700,000.
 International Car Wheel; common, \$10,000,000; preferred, \$5,000,000.
 International Steam Pump; common, \$15,000,000; preferred, \$12,500,000.
 Locomotive Smoke Preventor; common, \$6,000,000.
 National Cash Register; common, \$4,000,000; preferred, \$1,000,000.
 Planters' Compress; common, \$15,000,000.
 Indo-Egyptian Compress; common, \$15,000,000.
 Rotary Ring Spinning; common, \$5,000,000.
 Standard Shoe Machinery; common, \$3,000,000; preferred, \$2,000,000.
 Strohm Automatic Electric Safety Block System; common, \$5,000,000.
 United Shoe Machinery; common, \$12,500,000; preferred, \$12,500,000.

MISCELLANEOUS.

American Agricultural Chemical; common, \$20,000,000; preferred, \$20,000,000.
 American Car and Foundry; common, \$30,000,000; preferred, \$30,000,000.
 American Felt; common, \$2,500,000; preferred, \$2,500,000; bonds, \$500,000.

*The flour trust, incorporated April 27, 1899, was declared insolvent and receiver appointed by a federal court, in Milwaukee, Feb. 26, 1900. Its liabilities were \$17,095,200. Reorganization in progress. See *Chronicle*, July 28, 1900.

American Grass Twine; common, \$15,000,000.
 American Hide and Leather; common, \$17,500,000; preferred, \$17,500,000; bonds, \$10,000,000.
 American Oil and Refining; common, \$5,000,000.
 American School Furniture; common, \$5,000,000; preferred, \$5,000,000; bonds, \$1,500,000.
 American Sterilized Air and Transportation; common, \$2,500,000; preferred, \$2,500,000.
 Doty Third Rail Electric; common, \$2,500,000.
 Electric Boat; common, \$5,000,000; preferred, \$5,000,000.
 General Carriage; common, \$20,000,000.
 General Chemical; common, \$12,500,000; preferred, \$12,500,000.
 Union Starch; common, \$3,500,000; preferred, \$2,500,000.
 American Window Glass; common, \$13,000,000; preferred, \$4,000,000.
 American Woolen; common, \$40,000,000; preferred, \$25,000,000.
 American Writing Paper; common, \$12,500,000; preferred, \$12,500,000; bonds, \$17,000,000.
 Artificial Lumber Company of America; common, \$8,500,000; preferred, \$3,500,000.
 Rigelow Carpet; common, \$4,030,000.
 Consolidated Rubber Tire; common, \$5,000,000; preferred, \$5,000,000.
 Continental Cotton Oil; common, \$3,000,000; preferred, \$3,000,000.
 Continental Paper Bag; common, \$5,000,000.
 Cotton Oil and Fiber; common, \$1,500,000; preferred, \$1,500,000.
 Daylight Prism of America; common, \$2,750,000.
 Great Lakes Towing; common, \$2,500,000; preferred, \$2,500,000.
 Great Northern Paper; common, \$4,000,000.
 Fuller Round Bale; common, \$5,750,000; preferred, \$2,250,000.
 International Smokeless Powder and Dynamite; common, \$9,000,000; preferred, \$1,000,000.
 Manufactured Rubber; common, \$5,000,000; preferred, \$1,000,000.
 Murphy Safety Third Rail Electric; common, \$1,250,000; preferred, \$1,250,000.
 National Enameling and Stamping; common, \$20,000,000; preferred, \$10,000,000.
 National Glass; common, \$4,000,000; bonds, \$2,000,000.
 New England Cotton Yarn; common, \$5,000,000; preferred, \$6,500,000; bonds, \$6,500,000.
 New York Ship Building; common, \$6,000,000.
 Ontario Lake Superior; common, \$14,000,000; preferred, \$6,000,000.
 Pittsburg Steamship; common, \$5,000,000.
 Rochester Optical and Camera; common, \$3,500,000; preferred, \$1,750,000.
 Rubber Goods Manufacturing; common, \$25,000,000; preferred, \$25,000,000.
 Ruby Watch; common, \$6,000,000; preferred, \$1,000,000.
 Severy Process; common, \$7,500,000.
 Standard Phosphate and Fertilizer; common, \$600,000; preferred, \$400,000.
 Union Bag and Paper; common, \$16,000,000; preferred, \$11,000,000.
 Standard Sanitary Manufacturing; common, \$2,500,000; preferred, \$2,500,000; bonds, \$2,500,000.

METALS AND MINERALS.

Alabama Consolidated Coal and Iron; common, \$2,500,000; preferred, \$2,500,000.
 Amalgamated Copper; common, 75,000,000.
 American Alkali; common, \$24,000,000; preferred, \$6,000,000.
 American Brass; common, \$6,000,000.
 American Bridge; common, \$40,500,000; preferred, \$27,000,000.
 American Carbide Lamp; common, \$3,000,000.

American Cement Company of New Jersey; common, \$2,100,000; bonds, \$1,000,000.
 American Iron and Steel Manufacturing; common, \$17,000,000; preferred, \$3,000,000.
 American Radiator; common, \$5,000,000; common, \$5,000,000.
 American Shipbuilding; common, \$15,000,000; preferred, \$15,000,000.
 American Smelting and Refining; common, \$32,500,000; preferred, \$32,500,000.
 American Steel Hoop; common, \$19,000,000; preferred, \$14,000,000.
 American Steel and Wire Company of New Jersey; common, \$50,000,000; preferred, \$4,000,000.
 American Zinc, Lead and Smelting; common, \$2,500,000.
 Arcadian Copper; common, \$3,750,000.
 Asphalt Company of America; common, \$30,000,000; bonds, \$30,000,000.
 Bethlehem Steel; common, \$15,000,000.
 Borax Consolidated; common, \$3,000,000; preferred, \$4,000,000; bonds, \$5,000,000.
 Boston and British Columbia Copper Mining and Smelting; common, \$3,000,000.
 Boston and Seven Devils Copper; common, \$5,000,000.
 Central Foundry; common, \$7,000,000; preferred, \$7,000,000; bonds, \$4,000,000.
 Consolidated Lake Superior; common, \$14,000,000; preferred, \$6,000,000.
 Continental Cement; common, \$10,000,000.
 Copper Range; common, \$2,500,000.
 Cuban Steel Ore; common, \$2,000,000; preferred, \$1,000,000.
 Dominion Iron and Steel; common, \$15,000,000; bonds, \$8,000,000.
 Lackawanna Iron and Steel; increase of stock from \$3,750,000 to \$25,000,000.
 Edison Portland Cement; common, \$9,000,000; preferred, \$2,000,000.
 Electrical Lead Reduction; common, \$10,000,000; preferred, \$2,000,000.
 Empire Steel and Iron; stock, \$10,000,000.
 Helvetia Copper; common, \$5,000,000.
 Lake Superior Steel; common, \$5,000,000.
 Michigan Copper Mining; common, \$2,500,000.
 Miners' Copper; common, \$2,000,000.
 National Carbon; common, \$5,500,000; preferred, \$4,500,000.
 National Steel; common, \$32,000,000; preferred, \$27,000,000.
 National Tin Plate Company, Wheeling; common, \$5,000,000.
 National Tin Plate and Stamped Ware; common, \$10,000,000; preferred, \$10,000,000.
 National Tube; common, \$40,000; preferred, \$40,000,000.
 Old Colony Copper; common, \$2,500,000.
 Park Steel; common, \$5,000,000; preferred, \$5,000,000.
 Phoenix Consolidated Copper; common, \$2,500,000.
 Pittsburg Coal; common, \$32,000,000; preferred, \$32,000,000.
 Pittsburg Stove and Range; common, \$1,000,000; preferred, \$1,000,000.
 Pressed Steel Car; common, \$12,500,000; preferred, \$12,500,000.
 Republic Iron and Steel; common, \$30,000,000; preferred, \$25,000,000.
 Rhode Island Copper; common, \$2,500,000.
 Royal Steel and Iron; common, \$5,000,000.
 Sante Fe Gold and Copper Mining; common, \$2,500,000.
 Schuylkill Iron and Steel; common, \$5,000,000.
 Sharon Steel; common, \$4,000,000.
 Sloss-Sheffield Steel and Iron; common, \$10,000,000; preferred, \$10,000,000.
 Tennessee Copper; common, \$5,000,000.
 Union Steel and Chain; common, \$30,000,000; preferred, \$30,000,000.

United States Cast Iron Pipe and Foundry; common, \$15,000,000; preferred, \$15,000,000.
United States Mining; common, \$10,000,000; bonds, \$1,000,000.
United States Steel; common, \$3,000,000.
United Verde Copper; common, \$3,000,000; bonds, \$3,000,000.
United Zinc Companies; common, \$5,000,000; preferred, \$1,000,000.
Victoria Copper Mining; common, \$2,500,000.
Virginia Iron, Coal and Coke; common, \$10,000,000; bonds, \$10,000,000.
Wheeling Consolidated Coal; common, \$5,000,000.
Wyandotte Copper; common, \$2,500,000.

Editor's note: It seems not improper that the editor should remind the readers of this handbook, that if there be errors in such sections as the foregoing and the following, they are, from the nature of the subject, more or less unavoidable, and should be accepted with the greater mass of truth, without undue remonstrance.

For a summary of the capitalizations of 1900 see Appendix.

A PRICE LIST OF LEADING INDUSTRIALS.

XXVI

The following list of the greater industrials is intended to show the range of prices of these securities, and also, be it noted, the actual outstanding obligations of these companies—their actual capitalization as distinguished from the capitalization authorized when the companies were incorporated. The capitalizations are taken from the Quarterly Bulletin of the Financial Publishing Company (Chicago), July, 1900.

NOTE—Par value may be 100, 50 or 25. Ordinary stocks are without description. Cumulative is abbreviated to "cum." New York prices, as a rule, quoted when not otherwise stated.

- Amalgamated Copper Company—Stock, 100; stock outstanding, \$75,000,000; bonds outstanding, none. Prices, July 31, 1900, 86 to 86 $\frac{7}{8}$.
- American Agricultural Chemical Company—Stock, common 100; stock outstanding, \$17,000,000; bonds outstanding, none. Prices (Boston): 1900, January, high 34 $\frac{1}{2}$, low 27; June 29, high 22, low 20.
- American Agricultural & Chemical Company—Stock, preferred 6 per cent cum., 100; stock outstanding, \$17,000,000. Prices (Boston): 1900, January, high 79 $\frac{1}{2}$, low 75; June 29, high 73, low 71.
- American Alkali Company—Stock, common, 50; stock outstanding, \$24,000,000. Prices (Philadelphia): 1899, second quarter, high 4, low 2 $\frac{3}{4}$; 1900, June, 29, high 2 $\frac{7}{8}$, low 2 $\frac{1}{4}$.
- American Alkali Company—Stock, preferred 8 per cent cum., 5; stock outstanding, \$6,000,000. Prices (Philadelphia): 1899, high 3, low 2; 1900, June 29, high $\frac{3}{4}$; low $\frac{3}{8}$.
- American Beet Sugar Company—Stock, common, 100; stock outstanding, \$15,000,000; bonds outstanding, none.
- American Beet Sugar Company—Stock, preferred 6 per cent non-cum., 100; stock outstanding, \$4,000,000.
- American Bicycle Company—Stock, common, 100; stock outstanding, \$20,000,000; bonds outstanding, \$10,000,000. Price, July 28, 6 to 7.
- American Bicycle Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$10,000,000. Price, July 28, 32 to 35.
- American Cereal Company—Stock, 100; stock outstanding, \$3,341,700; bonds outstanding, \$1,187,300.
- American Cotton Oil Company—Stock, common, 100; stock outstanding, \$20,237,100; bonds outstanding, \$3,068,000. Prices: 1899, high 61 $\frac{1}{2}$, low 27; June 30, 1900, high 32 $\frac{1}{2}$, low 30.
- American Cotton Oil Company—Stock, preferred 6 per cent non-cum., 100; stock outstanding, \$10,198,600. Prices: 1899, no sale; 1890, high 75, low 27 $\frac{1}{4}$; June 23, 1900, 90.

- American Hide & Leather Company—Stock, common, 100; stock outstanding, \$11,500,000; bonds outstanding, \$8,445,000.
- American Hide & Leather Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$13,000,000.
- American Ice Company—Stock, common, 100; stock outstanding, \$22,939,100. Prices: 1899, high 41¼, low 31; June 30, 1900, high 31, low 27½.
- American Ice Company—Stock, preferred 6 per cent cum., 100; stock outstanding, \$12,440,400. Prices: 1899, high 85, low 72¾; June 30, 1900, high 63, low 60½.
- American Linseed Oil Company—Stock, common, 100; stock outstanding, \$16,750,000; bonds outstanding, none. Prices: 1899, June, high 10, low 8¾; 1900, June 30, high 10½, low 10.
- American Linseed Oil Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$16,750,000. Prices: 1899, high 45¾, low 43; June 30, 1900, high 53¾, low 49½.
- American Malting Company—Stock, common, 100; stock outstanding, \$14,500,000; bonds outstanding, \$4,000,000. Prices: 1898, high 38, low 24; June, 1900, high 3¾, low 3.
- American Malting Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$14,440,000. Prices: 1898, high 88, low 76½; June, 1900, high 21½, low 18¾.
- American Radiator Company—Stock, common, 100; stock outstanding, \$4,893,000; bonds outstanding, none. Prices (Chicago): 1899, first quarter, high 41, low 37; October, high 54, low 50½; 1900, June 28, high 35, low 32.
- American Radiator Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$3,000,000. Prices (Chicago): 1899, first quarter, high 100, low 98; October, high 107, low 105½; 1900, April, high 108; June 28, high 106, low 105.
- American Railway Company—Stock, 50; stock outstanding, \$25,000,000; bonds outstanding, none. Prices: 1899, second quarter, high 14¾, low 7¾; 1900, June 29, high 5¾, low 4¾.
- American Sheet Steel Company—Stock, common, 100; stock outstanding, \$26,000,000; bonds outstanding, none.
- American Sheet Steel Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$26,000,000.
- American Ship Building Company—Stock, common, 100; stock outstanding, \$7,600,000; bonds outstanding, none.
- American Ship Building Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$7,900,000.
- American Smelting & Refining Company—Stock, common, 100; stock outstanding, \$27,400,000; bonds outstanding, \$1,055,000. Prices: 1899, high 59, low 30; 1900, June 30, high 36¼, low 34¾.
- American Smelting & Refining Company—Preferred 7 per cent cum., 100; stock outstanding, \$27,400,000. Prices: 1899, high 94½, low 77½; 1900, June 30, high 86½, low 85.
- American Spirits Manufacturing Company—See Distilling Company of America.
- American Steel Hoop Company—Stock, common, 100; stock outstanding, \$19,000,000; bonds outstanding, none. Prices: 1899, high 48¾, low 24; 1900, June 30, high 19½, low 17.
- American Steel Hoop Company—Preferred 7 per cent cum., 100; stock outstanding, \$14,000,000. Prices: 1899, high 86¾, low 70; 1900, June 30, high 67¾, low 66.
- American Steel & Wire Company—Stock, common, 100; stock outstanding, \$50,000,000; bonds outstanding, none. Prices: 1899, February, high 64¾, low 45; April, high 71½, low 58½; December, high 49¾, low 32; 1900, April, high 59¾, low 37¼; June 30, high 31¾, low 28½.

- American Steel & Wire Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$40,000,000. Prices: 1899, February, high 102 $\frac{3}{4}$, low 92 $\frac{1}{2}$; April, high 102 $\frac{1}{2}$, low 95; December, high 95 $\frac{1}{2}$, low 84; April, high 91 $\frac{1}{4}$, low 75 $\frac{3}{4}$; June 30, high 70 $\frac{3}{4}$, low 69 $\frac{1}{2}$.
- American Strawboard Company—Stock, 100; stock outstanding, \$6,000,000; bonds outstanding, \$620,000. Prices (Chicago): 1899, high 37 $\frac{1}{4}$, low 20 $\frac{1}{2}$; 1899, first quarter, high 33 $\frac{1}{2}$, low 27; 1900, February, high 31 $\frac{1}{2}$, low 30 $\frac{1}{2}$; June 28, high 33, low 28.
- American Sugar Refining Company—Stock, common, 100; stock outstanding, \$36,968,000; bonds outstanding, \$10,000,000 (authorized, but not issued.) Prices: 1891, high 93 $\frac{3}{8}$, low 57 $\frac{1}{2}$; 1893, high 134 $\frac{3}{4}$, low 61 $\frac{3}{4}$; 1897, high 159 $\frac{1}{2}$, low 100 $\frac{1}{8}$; first quarter, 1899, high 182, low 123 $\frac{3}{4}$; December, high 156 $\frac{3}{8}$, low 114 $\frac{1}{2}$; 1900, January, high 137 $\frac{1}{2}$, low 112 $\frac{1}{2}$; March, high 111 $\frac{1}{4}$, low 95 $\frac{1}{4}$; June 30, high 114 $\frac{3}{4}$, low 110 $\frac{1}{4}$.
- American Sugar Refining Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$36,968,000. Prices: 1891, high 98, low 85; 1892, high 107 $\frac{3}{8}$, low 90; 1897, high 121 $\frac{1}{2}$, low 104 $\frac{1}{4}$; first quarter, 1899, high 123, low 110; September, high 121 $\frac{1}{4}$, low 117; 1900, March, high, 111 $\frac{1}{2}$, low 107; June 30, high 115 $\frac{1}{2}$, low 114 $\frac{1}{8}$.
- American Tin Plate Company—Stock, common, 100; stock outstanding, \$28,000,000; bonds outstanding, none. Price: 1899, high 52 $\frac{3}{4}$, low 20; 1900, first quarter, high 36 $\frac{3}{8}$, low 27 $\frac{7}{8}$; June 30, high 20, low 18.
- American Tin Plate Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$18,325,000. Prices: 1899, high 99 $\frac{1}{2}$, low 74; 1900, first quarter, high 84, low 80 $\frac{1}{2}$; June 30, high 73 $\frac{1}{2}$, low 70 $\frac{3}{4}$.
- American Tobacco Company—Stock, common, 50; stock outstanding, \$54,500,000; bonds outstanding, none. Prices: 1892, high, 126, low 106; 1896, high 95, low 51; 1898, high 153 $\frac{3}{4}$, low 83 $\frac{3}{4}$; 1899, second quarter, high, 229 $\frac{1}{2}$, low 88 $\frac{1}{2}$; December, high 118, low 78 $\frac{1}{2}$; 1900, February, high, 111 $\frac{1}{2}$, low 101 $\frac{1}{4}$; June 30, high 90 $\frac{3}{4}$, low 84 $\frac{1}{2}$.
- American Tobacco Company—Preferred 8 per cent non-cum., 100; stock outstanding, \$14,000,000. Prices: 1891, high 101 $\frac{1}{2}$, low 96 $\frac{1}{2}$; 1895, high 116, low 90; 1898, high 135 $\frac{1}{2}$, low 112 $\frac{1}{4}$; 1899, second quarter, high 155, low 139 $\frac{3}{4}$; 1900, June 9, 129.
- American Tobacco Company—Stock, dividend scrip; stock outstanding, \$3,024,490. Prices: 1897, high 83, low 74 $\frac{1}{8}$; 1899, third quarter, high 108, low 101 $\frac{1}{2}$; 1900, June 16, high 99 $\frac{1}{2}$, low 99.
- American Woolen Company—Stock, common, 100; stock outstanding, \$29,501,100; bonds outstanding, none. Price, July 27, 13 to 14 (Chicago).
- American Woolen Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$20,000,000. Price, July 27, 70 to 71.
- American Writing Paper Company—Stock, common, 100; stock outstanding, \$9,991,100; bonds outstanding, \$17,000,000.
- American Writing Paper Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$10,958,800.
- Anaconda Copper Mining Company—Stock, 25; stock outstanding, \$30,000,000; bonds outstanding, none. Prices: 1899, second quarter, 47 $\frac{1}{4}$; 1900, June 29, high 40 $\frac{1}{2}$, low 39 $\frac{1}{2}$.
- Asphalt Company of America Company—Stock, 50; stock outstanding, \$30,000,000; bonds outstanding, none.
- Chicago Edison Company—Stock, 100; stock outstanding, \$5,971,100; bonds outstanding, \$4,808,000. Price, July 25, 134 $\frac{1}{2}$, ex-div.
- Colorado Fuel & Iron Company—Stock, common, 100; stock outstanding, \$17,000,000; bonds outstanding, \$7,418,000. Prices: 1892, high 66 $\frac{3}{4}$, low 62; 1893, high 72, low 17 $\frac{1}{2}$; 1894, high 27 $\frac{1}{2}$, low 21; 1895, high 41 $\frac{1}{2}$, low 20 $\frac{1}{2}$; 1896, high 34 $\frac{1}{4}$, low 14 $\frac{3}{8}$; 1897, high 27 $\frac{7}{8}$, low 15 $\frac{1}{4}$; 1898, high 32 $\frac{3}{8}$, low 17; 1899, first quarter, high 37 $\frac{3}{4}$, low 30 $\frac{1}{2}$; September,

- high 64, low 51; 1900, January, high 46½, low 40½; June 30, high 32¼, low 29¾.
- Colorado Fuel & Iron Company—Stock, preferred 8 per cent cum., 100; stock outstanding, \$2,000,000. Prices: 1892, high 115, low 110; 1894, high 75, low 50; 1895, high 100, low 50; 1897, high 85, low 70; 1899, first quarter, high 100, low 88; December, high 130, low 122½; 1900, January, high 131½, low 121; June 9, high 123, low 120.
- Consolidated Gas Company (Baltimore)—Stock, 100; stock outstanding, \$10,770,968; bonds outstanding, \$6,837,500.
- Consolidated Gas Company (New York)—Stock, 100; stock outstanding, \$54,595,200; bonds outstanding, \$2,101,500. Prices: 1893, high 144, low 108; 1897, high 241½, low 136½; 1899, first quarter, high 223¼, low 189; July, high 190, low 172½; 1900, May, high 196½, low 181; June 30, high 180, low 171½.
- Continental Tobacco Company—Stock, common, 100; stock outstanding, \$48,846,000; bonds outstanding, none. Prices: 1899, March, high 64½, low 43; April, high 65¾, low 50¼; December, high 43¼, low 20; 1900, January, high 38, low 30¾; June 30, high 24½, low 22¾.
- Continental Tobacco Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$48,844,600. Prices: 1899, March, high 98¼, low 85; August, high 103¾, low 87¾; 1900, January, high 89½, low 83½; June 30, high 77½, low 75.
- Detroit City Gas Company—Stock, 50; stock outstanding, \$4,560,000; bonds outstanding, \$4,972,000. Prices: 1897, high 60, low 20; 1899, high 101, low 63; 1900, high 94¾, low 94¼.
- Diamond Match Company—Stock, 100; stocks outstanding, \$14,750,000; bonds outstanding, none. Prices (Chicago): 1899, first quarter, high 154, low 136; second quarter, high 157, low 137; 1900, January, high 125, low 119; June 28, high 124½, low 120.
- *Distilling Company of America—Stock, common, 100; stock outstanding, \$44,200,665; bonds outstanding, \$1,899,000 (American Spirits Manufacturing Company bonds.) Price, July 27, 4¾ to 5½ (Chicago).
- Distilling Company of America—Stock, preferred 7 per cent cum., 100; stock outstanding, \$29,283,831. Price, July 27, 19½ to 20.
- Erie Telegraph & Telephone Company—Stock, 100; stock outstanding, \$10,000,000; bonds outstanding, \$9,905,000. Price, July 26, 97 (Boston).
- Federal Steel Company—Stock, common, 100; stock outstanding, \$46,484,300; bonds outstanding, none. (This company has no direct obligations, but the absorbed companies have \$26,523,391 of outstanding bonds.) Prices: 1898, high 52, low 29; 1899, first quarter, high 67½, low 46¾; second quarter, high 75, low 50; 1900, February, high 57¾, low 52¼; May, high 42½, low 33; June 30, high 32¼, low 28¾.

*The Distilling Company of America is in process of reorganization. About \$52,500,000 of the capital stock is reported as having been deposited in favor of a voting trust.

Discussing the enormous wastes of competition, in the way of exploiting goods by personal demonstration and solicitation, Prof. Jenks says in his latest work, "The Trust Problem:"

"Mr. Edson Bradley, vice president of the Distilling Company of America and president of the American Spirits Manufacturing Company, estimates in his testimony before the United States Industrial Commission, that in the sale of alcoholic liquors in this country, somewhere between the distiller and the consumer at least \$40,000,000 a year is lost. He thinks that this is lost primarily in the attempt to secure trade, and that the result is simply a higher price to the consumer. Part of this waste comes from the wages paid to traveling salesmen and from their traveling expenses, and from that source alone his combination saves \$1,000,000 a year."

- Federal Steel—Stock, preferred 6 per cent non-cum., 100; stock outstanding, \$53,260,900. Prices: 1898, high 85¼, low 69¾; 1899, first quarter, high 95½, low 82½; 1900, February, high 77½, low 73; June 30, high 64¾, low (ex-div.) 60¾.
- General Electric Company—Stock, common, 100; stock outstanding, \$18,276,000; bonds outstanding, \$5,300,000. Prices: 1892, high 119⅞, low 104½; 1896, high 39½, low 20; 1898, new, high 97, low 76; 1899, first quarter, high 120½, low 95⅞; November, high 132, low 120½; 1900, January, high 124½, low 120; April, high 140¼; low 128½; June 30, high 128½, low 126½.
- General Electric Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$2,551,200. Price, July 28, 129.
- Glucose Sugar Refining Company—Stock, common, 100; stock outstanding, \$24,027,300; bonds outstanding, none. Prices: 1899, first quarter, high 76¾, low 65¾; 1900, January, high 57¾, low 47; June 30, high 47, low 45½.
- Glucose Sugar Refining Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$13,638,300. Prices: 1899, first quarter, high 110, low 107; 1900, high 102, low 98; June 23, 98.
- International Paper Company—Stock, common, 100; stock outstanding, \$17,442,800; bonds outstanding, \$13,102,117. Prices: 1898, high 67, low 48; 1899, first quarter, high 68½, low 51; 1900, January, high 25½, low 22½; June 30, high 22½, low 20¾.
- International Paper Company—Stock, preferred 6 per cent cum., 100; stock outstanding, \$22,406,700. Prices: 1898, high 95, low 85; 1900, June 30, high 65, low 63¾.
- International Silver Company—Stock, common, 100; stock outstanding, \$9,896,000; bonds outstanding, \$3,900,000. Prices: 1899, high 36, low 9; 1900, January, high 10⅞, low 9; June 23, 4.
- International Silver Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$5,026,500. Price, July 25, 4.
- Knickerbocker Ice Company (Chicago)—Stock, common, 100; stock outstanding, \$4,000,000; bonds outstanding, \$1,975,000. Prices: 1899, high 63½, low 30; 1900, June 30, high 27, low 24.
- Knickerbocker Ice Company (Chicago)—Stock, preferred 6 per cent cum., 100; stock outstanding, \$3,000,000. Prices: 1899, high 84, low 70; 1900, June 16, 57½.
- Laclede Gas Company (St. Louis)—Stock, common, 100; stock outstanding, \$7,500,000; bonds outstanding, \$10,500,000. Prices: 1890, high 28¾, low 12½; 1891, high 21½, low 12½; 1895, high 33¾, low 14½; 1897, high 49¾, low 22; 1899, first quarter, high 56⅞, low 51; December, high 85, low 74; 1900, June 30, high 69¼, low 68½.
- Laclede Gas Company (St. Louis)—Stock, preferred 5 per cent cum., 100; stock outstanding \$2,500,000. Prices: 1896, high 86¼, low 68; 1899, May, high 103, low 99; 1900, June 30, high 98, low 97¾.
- National Biscuit Company—Stock, common, 100; stock outstanding, \$23,786,000; bonds outstanding, \$1,752,000. Prices: 1898, high 52½, low 30½; 1899, first quarter, high 62, low 47; 1900, January, high 38, low 35; June 30, high 29, low 28.
- National Biscuit Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$29,236,000. Prices, 1898, high 106, low 94½; 1899, first quarter, high 107½, low 103; 1900, June 30, high 81, low 79½.
- National Carbon Company—Stock, common, 100; stock outstanding, \$5,500,000; bonds outstanding, none. Prices (Chicago): 1899, first quarter, high 28, low 16; 1900, June 28, high 16¼, low 15¼.
- National Carbon Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$4,500,000. Prices (Chicago): 1899, first quarter, high 88¼, low 76¼; 1900, June 28, high 81, low 78¾.
- National Lead Company—Stock, common, 100; stock outstanding,

- 14,905,400; bonds outstanding, none. Prices: 1893, high $52\frac{1}{8}$, low $18\frac{1}{2}$; 1896, high $22\frac{3}{8}$, low 16; 1897, high 44, low $27\frac{1}{8}$; 1899, December, high 30, low $22\frac{1}{2}$; 1900, June 30, high $19\frac{1}{2}$, low $19\frac{1}{4}$.
- National Lead Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$14,904,000. Prices: 1893, high 96, low 48; 1898, first quarter, high $114\frac{1}{2}$, low 99; 1900, June 30, 96.
- National Steel Company—Stock, common, 100; stock outstanding, \$32,000,000; bonds outstanding, \$4,471,000 (assumed bonds). Prices: 1899, April, high 63, low 44; 1900, January, high $46\frac{1}{2}$, low 40; June 30, high $24\frac{3}{4}$, low $20\frac{1}{2}$.
- National Steel Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$27,000,000. Prices: 1899, April, high 95, low 89; September, high $98\frac{1}{8}$, low 95; 1900, February, high 97, low 94; June 30, high 85, low $79\frac{1}{4}$.
- National Tube Company—Stock, common, 100; stock outstanding, \$40,000,000; bonds outstanding, none. Prices: 1900, March, high $53\frac{3}{4}$, low 51; June 30, high $43\frac{1}{2}$, low $40\frac{1}{8}$.
- National Tube Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$40,000,000. Prices: 1900, high $92\frac{3}{8}$, low $91\frac{1}{2}$; June 30, high 88, low $87\frac{1}{2}$.
- New York Air Brake Company—Stock, 100; stock outstanding, \$6,250,000; bonds outstanding, \$10,000,000. Prices: 1897, high $31\frac{1}{2}$, low 22; 1899, high 230, low 110; 1900, May, high 120, low 115; June 30, high 135, low, $120\frac{1}{4}$.
- North American Company (street railways and electric companies)—Stock, common, 100; stock outstanding, \$30,776,300. Prices: 1890, high $47\frac{3}{8}$, low 7; 1894, high $5\frac{1}{8}$, low $2\frac{3}{4}$; 1900, January, high $15\frac{1}{2}$, low $13\frac{1}{8}$; June 30, high $14\frac{3}{4}$, low $14\frac{1}{4}$.
- Otis Elevator Company—Stock, common, 100; stock outstanding, \$6,250,300; bonds outstanding, none.
- Otis Elevator Company—Stock, preferred 6 per cent non-cum., 100; stock outstanding, \$4,286,800.
- Pacific Coast Company (mining and transportation)—Stock, common, 100; stock outstanding, \$6,738,800; bonds outstanding, \$4,446,000.
- Pacific Coast Company—Stock, first preferred 5 per cent non-cum., 100; stock outstanding, \$1,502,800. Price, 52 to 54; July 28.
- Pacific Coast Company—Stock, second preferred 4 per cent non-cum., 100; stock outstanding, \$3,904,200.
- People's Gas Light & Coke Company (Chicago)—Stock, 100; stock outstanding, \$28,668,800; bonds outstanding, \$34,496,000. Prices: 1888, high 44, low $29\frac{3}{4}$; 1899, high 62, low 34; 1890, high 65, low 32; 1891, high $71\frac{1}{4}$, low 34; 1892, high $99\frac{3}{8}$, low $71\frac{3}{4}$; 1893, high $94\frac{1}{4}$, low 39; 1894, high 80, low $58\frac{3}{4}$; 1895, high $78\frac{1}{4}$, low $49\frac{7}{8}$; 1896, high $78\frac{3}{4}$, low $44\frac{3}{8}$; 1897, high $108\frac{3}{4}$, low $73\frac{1}{4}$; 1898, high 112, low $86\frac{1}{2}$; 1899, second quarter, high $129\frac{1}{2}$, low 101; 1900, January, high $106\frac{3}{4}$, low $100\frac{1}{2}$; April, high $111\frac{1}{2}$, low 101; June 30, high $97\frac{1}{4}$, low $93\frac{1}{2}$.
- Philadelphia Electric Company—Stock, 25; stock outstanding, \$25,000,000; bonds outstanding, \$28,272,569.
- Pressed Steel Car Company—Stock, common, 100; stock outstanding, \$12,500,000; bonds outstanding, none. Prices: 1899, April, high $59\frac{1}{2}$, low 53; August, high 61, low $56\frac{3}{4}$; 1900, June 30, high $45\frac{1}{2}$, low 42.
- Pressed Steel Car Company—Stock, preferred 7 per cent non-cum., 100; stock outstanding, \$12,500,000. Prices: 1899, April, high 90, low 83; September, high 91, low 86; 1900, June 30, high $74\frac{3}{4}$, low 72.
- Pullman Palace Car Company—Stock, 100; stock outstanding, \$74,000,000; bonds outstanding, none. Prices: 1888, high 175, low $135\frac{1}{4}$; 1889, high $205\frac{3}{4}$, low 171; 1890, high 222, low 160; 1896, high 164, low 138; 1898, high 216, low 132; 1899, second quarter, high $161\frac{1}{2}$, low 156; October, high $207\frac{3}{4}$, low 173; 1900, January, high $189\frac{1}{8}$, low 187; June 30, high 180, low 176.

- Republic Iron & Steel Company—Stock, common, 100; stock outstanding, \$27,352,000; bonds outstanding, none. Prices: 1899, August, high 29 $\frac{7}{8}$, low 22 $\frac{1}{4}$; September, high 33 $\frac{3}{8}$, low 25 $\frac{1}{4}$; 1900, January, high 24 $\frac{7}{8}$, low 19 $\frac{3}{8}$; April 28, high 19, low 17 $\frac{1}{2}$; May 26, high 15 $\frac{1}{4}$, low 13 $\frac{3}{8}$; June 30, high 10 $\frac{7}{8}$, low 8 $\frac{3}{4}$.
- Republic Iron & Steel Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$20,852,000. Prices: 1899, August, high 79, low 74 $\frac{1}{4}$; 1900, January, high 68 $\frac{1}{2}$, low 64 $\frac{3}{4}$; April 28, high 61, low 59; May 26, 56 $\frac{1}{4}$; June 30, high 54, low 49 $\frac{7}{8}$.
- Shelby Steel Tube Company—Stock, common, 100; stock outstanding, \$8,150,000; bonds outstanding, none. Price, July 27, 12.
- Shelby Steel Tube Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$5,000,000. Price, July 24, 60.
- Swift & Co.—Stock, 100; stock outstanding, \$20,000,000; bonds outstanding, \$2,500,000.
- Tennessee Coal, Iron & Railroad Company—Stock, common, 100; stock outstanding, \$22,269,200; bonds outstanding, \$10,901,500. Prices: 1899, high 86, low 31; 1890, high 89, low 28; 1894, high 20 $\frac{7}{8}$, low 14; 1895, high 45 $\frac{3}{8}$, low 13 $\frac{1}{4}$; 1896, high 34 $\frac{3}{4}$, low 13; 1899, first quarter, high 54 $\frac{3}{4}$, low 36; July, high 72, low 64 $\frac{1}{2}$; August, high 100, low 71 $\frac{7}{8}$; September, high 126, low 96; October, high 119 $\frac{3}{4}$, low 110; 1900, January, high 87 $\frac{3}{4}$, low 79 $\frac{3}{4}$; February, high 104, low 86 $\frac{1}{2}$; June 30, high 67 $\frac{1}{2}$, low, 62.
- Tennessee Coal, Iron & Railroad Company—Stock, preferred 8 per cent cum., 100; stock outstanding, \$261,000.
- Union Bag & Paper Company—Stock, common, 100; stock outstanding, \$16,000,000; bonds outstanding, none. Prices: 1899, high 45, low 17 $\frac{1}{4}$; 1900, first quarter, high 25, low 20 $\frac{1}{8}$; June 30, high 11, low 10 $\frac{1}{2}$.
- Union Bag & Paper Company—Stock, preferred 7 per cent cum., 100; stock outstanding, \$11,000,000. Prices: 1899, high 89, low 71; 1900, June 30, high 62, low 61 $\frac{3}{4}$.
- United Gas Imp. Company (Philadelphia)—Stock, 50; stock outstanding, \$22,500,000; bonds outstanding, \$1,000,000. Prices: 1898, high 128, low 97 $\frac{1}{2}$; 1899, second quarter, high 175, low 150 $\frac{3}{4}$; 1900, January, high 161, low 147 $\frac{1}{2}$; June 29, high 117 $\frac{3}{4}$, low 111.
- United States Leather Company—Stock, common, 100; stock outstanding, \$62,854,600; bonds outstanding, \$5,280,000. Prices: 1894, high 11 $\frac{3}{8}$, low 8; 1895, high 24 $\frac{3}{4}$, low 7; 1899, June, high 6, low 5 $\frac{5}{8}$; November, high 40 $\frac{7}{8}$, low 10 $\frac{3}{4}$; December, high 16 $\frac{1}{2}$, low 10 $\frac{1}{2}$; 1900, January, high 19, low 15 $\frac{1}{4}$; June 30, high 9 $\frac{7}{8}$, low 7 $\frac{3}{4}$.
- United States Leather Company—Stock, preferred 8 per cent cum., 100; stock outstanding, \$62,254,600. Prices: 1894, high 86 $\frac{3}{4}$, low 52 $\frac{1}{2}$; 1895, high 97 $\frac{3}{4}$, low 58; 1896, high 69 $\frac{7}{8}$, low 41 $\frac{1}{2}$; 1899, April, high 78, low 70; May, high 73, low 68 $\frac{1}{4}$; November, high 84 $\frac{1}{2}$, low 77 $\frac{1}{2}$; 1900, June 30, high 66 $\frac{1}{2}$, low 65.
- United States Rubber Company—Stock, common, 100; stock outstanding, \$23,666,000; bonds outstanding, none. Prices: 1892, high 48 $\frac{3}{4}$, low 38 $\frac{3}{4}$; 1893, high 60 $\frac{3}{8}$, low 17; 1894, high 45 $\frac{1}{2}$, low 33 $\frac{1}{2}$; 1895, high 48, low 21; 1896, high 29, low 14 $\frac{1}{2}$; 1897, high 25 $\frac{1}{2}$, low 10; 1898, high 48 $\frac{1}{2}$, low 14 $\frac{1}{4}$; 1899, second quarter, high 57, low 43 $\frac{3}{8}$; 1900, January, high 44, low 36; June 30, high 25 $\frac{3}{4}$, low 24 $\frac{3}{4}$.
- United States Rubber Company—Stock, preferred 8 per cent non-cum., 100; stock outstanding, \$23,525,000. Prices: 1892, high 99, low 93 $\frac{3}{8}$; 1893, high 99, low 51; 1897, high 76 $\frac{7}{8}$, low 50; 1898, high 113 $\frac{1}{4}$, low 60; 1899, first quarter, high 120, low 111; July, high 121 $\frac{1}{8}$, low 115 $\frac{1}{4}$; 1900, January, high 104 $\frac{3}{4}$, low 99; June 30, 92.
- Western Union Telegraph Company—Stock, 100; stock outstanding, \$97,340,740; bonds outstanding, \$24,585,000. Prices: 1899, high 88 $\frac{3}{4}$, low 81 $\frac{5}{8}$; 1891, high 85 $\frac{1}{2}$, low 76; 1892, high 103 $\frac{3}{8}$, low 82; 1897, high 96 $\frac{3}{4}$, low 75 $\frac{3}{8}$; 1899, high 98 $\frac{1}{4}$, low 93 $\frac{3}{8}$; 1900, January, high 88 $\frac{1}{2}$, low 85; June 30, high 79 $\frac{3}{8}$, low 78.

THE NEW YORK BUSINESS COMPANIES' ACT.

XXVII.

What is perhaps the most scientific legislation for control of trusts yet attempted in this country?

The proposed New York Business Companies' Act, constructed, with the advice of Governor Roosevelt,* and financiers, lawyers and business men, by Prof. Jeremiah W. Jenks, of Cornell University, expert to the Industrial Commission. This act is designed to secure that remedy for trust evils which practical students of the problem believe the true way. This remedy is publicity.

How is the principle of publicity applied?

"First," as Maurice H. Robinson, writing in the *Yale Review*, May, 1900, puts it, "it is strictly a business companies' act. It does not make the mistake of attempting to destroy monopoly and nurse competition on milk from the same bottle. It divides in order to conquer, and distinctly provides that 'nothing in this act shall be construed to repeal any of the provisions of the existing laws of this state regarding monopolies or the formation of monopolies.'"

"Second, the act provides for full publicity of the corporation's affairs, but this publicity, with the exception of certain reports to the state, is limited to the stockholders only. Publicity is granted to stockholders and not to the general public in order that small corporations engaged in strictly competitive business may guard their business affairs from their competitors. Corporations approaching the monopolistic position must generally have their stock scattered so widely that reports open to stockholders will be opened to the world. The effect of this publicity

*See Governor Roosevelt's message, synopsised, page 239.

"There can be no doubt that a high capitalization brings pressure to bear upon officers of corporations to raise prices of their products. Payment of dividends is likely to seem their first duty, and they push prices as high as the market will bear."—"The Trust Problem," by Prof. J. W. Jenks.

will be, it is expected, (1) that excessive profits cannot be concealed, competition will be invited and the consumers protected from exorbitant or unreasonable prices; and (2) wage earners will know when to resist a reduction of wages and when to demand an increase."

Third, stringent regulations provide that a New York corporation shall be a New York corporation. Wherefore, the stockholders must meet in the registered office in New York, where must be the principal stock and transfer books, written up to date, and always open to stockholders. No foreign corporation except a national bank may hold any meetings of stockholders within the state of New York. The registered office of a corporation, its name properly displayed, must be open in charge of a responsible agent who, under heavy penalty, must make annual reports showing how far the law in this particular has been observed.

How is capitalization regulated?

Fourth, the act aims to prevent overcapitalization, not by prohibitory legislation, but by publicity, and, in the words of James B. Dill, in this way: "Capital stock may be issued for many or

From advertisement of underwriting privilege of the Crucible Steel Company of America, a New Jersey corporation, authorized capital \$50,000,000, now in process of formation (July, 1900): "No part of the capital stock of the proposed corporation is to be issued to the consolidation purchaser nor to any syndicate or person as promoter's profit, or for any other purpose than for the acquisition of the properties, good will and business of the constituent companies, taken upon a conservative valuation. The money realized from the sale of any portion of the capital stock to the public under subscription is likewise to be only applied for the benefit of the corporation, and without any profit to be deducted therefrom for the benefit of any person whomsoever."

"It is claimed by many that the public is little affected by stock watering, and has little interest in the basis of capitalization. If the capitalization is high, the value of the stock will be correspondingly low, and vice versa. Business men will invest their money, it is thought, on the basis of actual values, as shown by earning capacity, regardless of the par value of the stocks, and neither prices nor investors are materially affected, whatever the basis of capitalization. After a business has been long established, and its methods of management are well known, this contention is largely true. On the other hand, when new corporations are organized, and only those who are closely connected with the management know on what terms properties are purchased for which stock is issued, there is great opportunity for deception. Even a public statement of actual earnings of different corporations for a series of years past may be so arranged that the results will be decidedly misleading. Average profits over a period of five years might well be 10 per cent, when if a period of seven years were taken the average would be not more than five. Even the profits of the last two years might be nil. The ordinary investor, who has not had the opportunity of studying the details of organization, is unable to judge."—"The Trust Problem," by Prof. J. W. Jenks.

for any other consideration and practically irrespective of par value, but the certificate of stock itself must plainly and clearly state for what it is issued. All stock shall be held subject to payment at its par value in cash unless before the issuance of the stock a contract shall be filed in the registered office of the company which shall truly and fully disclose in detail the consideration for which the stock was issued. All stock issued for any consideration except for cash shall have stamped across the face of it a statement that it is issued other than for cash, and stating where the contract is filed which discloses truly the consideration of the stock, and in every annual and other report concerning the stock of the company it shall be truly described. This done, the judgment of the board of directors as to the par value of consideration other than for cash shall be final and conclusive, provided the provisions as to publicity are fully carried out."

What does the act do with the promoter?

Fifth, the act recognizes the promoter as a legitimate factor in modern business development, requires him to work in the light of day and proposes to hold him legally responsible for his acts. Every prospectus or other advertisement, issued with a view to inviting public subscription to stocks or bonds, must specify the proposed directors and promoters, with their interests in the same and their consideration for their work, the property acquired, with the consideration for it, the amount of the commission paid or proposed to be paid to the underwriters, together with all such detailed information as may be necessary in forming an opinion as to the real worth of shares so offered. To secure the observance of the above requirements, it is enacted, (1) that a prospectus which does not comply with the law shall be deemed fraudulent on the part of the directors or proposed directors, managers or promoters knowingly issuing the same; (2) that every person taking shares on the faith of such prospectus, unless he had actual notice of the particulars omitted from the prospectus, shall in addition to any other remedy he may have been entitled to, sue for rescission of his contract to take shares; (3) that every person aggrieved may sue for and obtain a money compensation for his loss.

"In addition to the attempt to secure honest promotion a provision is added intended to secure adequate legal responsibility

"Because they will sell for more usually, a large capitalization is often desired, even by conservative business men. Still more is this the case if the business is speculative in its nature. Speculation flourishes on fluctuation."—"The Trust Problem," by Prof. J. W. Jenks.

"In the organization of many of our later industrial combinations, the large pay of the promoter has come directly or indirectly through the issuance of watered stock."—"The Trust Problem," by Prof. J. W. Jenks.

on the part of companies acting as transfer agents for the corporation, through the following clause: 'Any corporation or individual countersigning the stocks or bonds, either as transfer agent or as registrar shall be deemed to guarantee the legality of the transfer unless the countersign shall give notice to the contrary.' Of the efficacy of this Mr. Dill says: 'The law relative to promotions contained in the proposed act will put an end to improper promotion and unwise financiering, and it is because these chapters are the foundation of the act that it is safe to allow the issuance of stock upon the terms already indicated.'

What is the system of audit?

Sixth, the act provides for an auditor or auditors, chosen by the stockholders, to protect the general interests of the company against the narrower interests of the board of directors. In the larger corporations the auditors must be bonded. They are required to inspect the shareholders' balance sheet, and shall have access to any private information possessed by president and directors. The balance sheet does not contain details injurious to the company should it be put into a rival's hands. Small private corporations will not need to receive the publicity forced upon large ones.

Seventh, the remedies for non-compliance with the act are so far as possible automatic and instantaneous. If a meeting of the stockholders is not called at the proper time, the salaries of the responsible parties cease from the time it should have been held until it is held. In general, "in case of violation of the law as to publicity or otherwise, the director at fault instantly, by the very act, goes out of office and loses all his rights to salaries, emoluments, or other returns from his official position."

How may a corporation buy and sell its own stock?

Eighth, the act sanctions the purchase and resale of its own stock: "Every corporation shall have the power to purchase or otherwise acquire its own capital stock, but only out of its own surplus earnings, or in payment or satisfaction of any debt due the company to such extent and manner and upon such terms

"Sometimes to avoid the appearance of issuing stock for property, the managers of the company agree upon a price in stock at par value at which a special piece of property will be purchased. The managers then go through the form of handing their checks to the property owners for the sum agreed upon, and receiving in turn the checks for an equal amount of the owners of the property for stock issued then and there. If the property is tangible, such as land or buildings, and the estimate placed upon its value is conservative and fair, there seems to be no reason why the shares should not be issued directly for this property, if there were no danger of injury to any person. If the property is intangible, as a patent, or possibly the good will of a business, its value may be as great as that of land or buildings."—"The Trust Problem," by Prof. J. W. Jenks.

as the board of directors by two-thirds vote shall determine, and to reissue the said stock so acquired. Any such purchase or reissue of stock shall be noted in the annual report."

To invite large corporations to organize under this act—and heretofore the high incorporation tax and heavy responsibilities have driven them to New Jersey—New York proposes to modify some of its conditions of incorporation. They are explained by Prof. Jenks in the *American Monthly Review of Reviews*, April, 1900, in substance as follows:

The incorporation tax is reduced from one-eighth of 1 per cent of the capital stock to one-fiftieth of 1 per cent.

The liabilities of stockholders is limited strictly to the face value of their shares.

While directors are held rigidly to account they are not, as under the present law, made responsible for all the debts of a corporation for what may be clerical carelessness.

While all the provisions of the present laws against monopoly are retained, the rights under this proposed law are designed to encourage capital to organize. And as large establishments now wish to produce their own raw material—iron manufacturers owning their own mines—such possession is sanctioned under this act, but only under the conditions permitting every stockholder and the public to know the facts.

To make the transfer of capital to corporations organized under the proposed act easy, those organized under the present law or foreign corporations may come under the act by meeting

The following illustrates the function of publicity as viewed from an English view-point, nationality, however, having little to do with economic truth:

"What are the chief lines of economic change required to bring about a readjustment between modern methods of production and social welfare? It is generally admitted that the increased publication of accounts and quotations of stocks, springing out of the extension of joint stock enterprise, the growth of numerous trade journals, the collection and dissemination of industrial facts by government bureaus and private statisticians are serviceable in many ways. But the extreme repugnance which is shown toward all endeavors to extend the compulsory powers of inquiring information by the state, the extreme jealousy with which the rights of private information are maintained, show how inadequately the true character of modern industry is grasped. In the complexity of modern commerce it should be recognized that there is no such thing as a self-regarding or a private action. No fact bearing on prices, wages, profits, methods of production, etc., concerns a single firm or a single body of workers. Every industrial action, however detailed in character, however secretly conducted, has a public import, and necessarily affects the actions and interests of innumerable persons. Indeed it is often precisely in the knowledge of those matters regarded as most private, and most carefully secreted, that the public interest chiefly lies. Yet so firmly rooted in the business mind is the individualistic conception of industry, that any idea of a public development of those important private facts upon which the credit of a particular firm is based, would appear to destroy the very

the conditions of publicity, paying the fees, and filing the proper certificate.

What does the chief builder of the act say of its intention?

The intention of the proposed act is to draw the line sharply between corporations for business, and corporations for speculation. The act is optional, not compulsory. A compulsory act probably could not now be enacted, and if enacted would work hardship to honest corporations. "New corporations, however, which organize under this act, or old ones which reorganize under it, will gain at once a reputation for open, upright dealing which cannot fail to be of great benefit to them, in addition to the many advantages offered by the act itself. A line thus drawn between corporations will in time force others under the act, or will probably lead in a short time to material modifications in the old law in the direction of greater publicity. In this way, without injuring at all the corporations which wish to do a sound business, the greatest evils in connection with the trusts may be eliminated. While the act in many respects favors corporations, it is believed that in actual practice it will strike a heavier blow at the real evils of the trusts than any anti-trust act heretofore enacted in any state. Certainly the difference between this and them is great enough so that an issue could easily be made along that line.

"The act stands as the most complete expression of what is known as 'publicity' by those who believe it to be an effective remedy for many of the evils connected with large corporations."

foundation of the commercial fabric. But although in the game of commerce a single firm which played its hand openly while others kept theirs well concealed might suffer failure, it is quite evident that the whole community interested in the game would gain immensely if all the hands were on the table. Many, if not the most, of the great disasters of modern commercial societies are attributable precisely to the fact that the credit of great business firms, which is pre-eminently an affair of public interest, is regarded as purely private before the crash. As industry grows more and more complex, so the interest of the public, and of an ever wider public, in every industrial action grows apace, and a correspondingly growing recognition of this public interest, with provision for its security, will be found necessary. So far as the natural changes of industrial structure in the private business fail to provide the requisite publicity, the exercise of direct public scrutiny must come to be enforced. The reluctance shown alike by bodies of employers and of workers to divulge material facts is in large measure due to the false ideas they have conceived as to the nature of industrial activity, which education can do something to remove, but which, if not removed, must be overruled in the public interest."—"The Evolution of Modern Capitalism," by John A. Hobson.

EVILS AND REMEDIES.

REPRESENTATIVE ARGUMENTS.

XXVIII.

WILLIAM JENNINGS BRYAN.

"The State and Federal Governments Must Protect the God-Made Man from the Man-Made Man."

Wm. Jennings Bryan, addressing the Chicago Conference on Trusts, September, 1899, advanced the following propositions:

A monopoly in private hands is wholly indefensible and intolerable. One trust magnate may be more benevolent than another, but there is no good monopoly in private hands. Monopoly will not reduce price, and if it did other objections to trusts outweigh any pecuniary advantages. The dollar argument is a low level for the settlement of every question. Lincoln said in 1859: "The Republican party believes in the man and the dollar, but in case of conflict it believes in the man before the dollar." When capital is made equal to or above labor in the structure of government then we are on the way to government by force and not by reason. Man is the creature of God, but money is the creature of man.

What is the purpose of the trust or monopoly? The first advantage is to lower the price of raw material, because it can be bought by the trust in large quantities. The great majority of the people are producing raw material. What is the next advantage? The plants best fitted and situated are preferred for production. Look about and see silent monuments to this policy of exclusion. What is the next advantage? In case of strikes

and fires work may go on elsewhere, and loss be prevented. What does this mean? It means that a strike is followed by a shut-down and starvation in that community, and that may be followed by the surrender of the strikers at lower wages. It also means that the trust can provoke strikes in other factories, and freeze out workmen and reduce wages there. When one branch of industry is in the hands of one monopoly the laborer will share the suffering of the man who sells the raw materials. What is the next advantage? There is no multiplication in distribution—a better force of salesmen takes the place of a larger number. What is the result? A trust can lessen the cost of distribution, but it also lessens the need for skill and brains. The alert commercial evangelist will no longer be needed. What is another advantage? Terms and conditions of sale become more uniform and credit can be more safely guarded. What does this mean? The trust cannot only fix the price of what it sells, but the terms upon which it sells.

What may first be expected of a trust? It will cut down expenses. What second? It will raise prices. A corporation may lower prices to kill competitors, but after that what? We are dealing with human nature. The principle of monopoly is the love of money, and the desire to get what cannot be got in the open field of competition. A rising dollar caused falling prices, and industry took to combination to sustain prices. A tariff enables a trust to charge for its product the price of a similar foreign product plus the tariff. But to put everything on the free list would not wholly destroy trusts. "Because, if an article can be produced in this country as cheaply as it can be produced abroad, the trust could exist without the aid of any tariff, although it could not extort so much as it could with the tariff. While some relief may come from modifications of the tariff, we cannot destroy monopoly until we lay the ax at the root of the tree and make monopoly impossible by law."

Railroad favoritism and discrimination have aided trusts, but the remedy must go beyond these causes. It must be complete enough to prevent the organization of monopoly. We have a dual form of government, a state and a federal government. When you prosecute a trust in a United States court it hides behind state sovereignty; when you prosecute it in a state court it rushes to cover under federal jurisdiction. We therefore need better state and federal remedies, and they must be concurrent. First, any state has, or should have, the right to create any corporation it thinks conducive to its welfare. It may safely be left to the state to create and to annihilate. Second, any state has, or should have, the right to prohibit any foreign corporation doing business in that state, and to make regulations to control foreign corporations admitted to that state. But this alone is not sufficient.

Over all Congress has, or should have, the power to put upon the corporation such restrictions, even to prohibition, as Congress may think necessary for public welfare. For one state cannot rely upon another in the management of corporations. (Mr. Bryan illustrated this contention by reference to a communication showing Delaware's new corporation law by which restriction on corporate action is reduced to a minimum. In some respects the Delaware and New Jersey laws are identical; in others the former has gone far beyond the latter. In Delaware the fee for incorporation is three-fourths, and the annual tax half that of New Jersey. Stockholders and directors need never meet in Delaware. The stock and transfer books may be kept anywhere. The stockholders' liability is limited after the stock has been properly issued; stock may be issued for services rendered. Annual reports need give no confidential information. No public record need be made of the stock subscribed by any incorporator.)

Mr. Bryan continued: "I have read you this letter in order to show you that where a state can gain an advantage from the incorporation of these great aggregations of wealth, it is not safe to place the people of other states at the tender mercies of

Boston Transcript, May 5, 1900: "New Jersey is still regarded as the more responsible party with which to do business. As an advertisement, a charter with her seal upon it is worth the difference in cost, and Delaware has to be content with what may be termed the bucket-shop residuum."

New York Journal of Commerce, May 3, 1900: "Dazzled with the revenue New Jersey was enjoying by creating corporations to do business in this and other states, rarely the state that created them, Delaware concluded to enter into competition for the profits of selling charters. It required no capital; it involved no risks and the possibilities were immense. Therefore, Delaware enacted a law cutting under New Jersey in its scale of charges, and affording increased facilities for the introduction of wind, or water, or any cheap substitute for money into the capital of corporations. The cheapness and elasticity of Delaware charters were advertised like ready-made clothing, or patent medicines, and the state expected to be a veritable Gretna Green for corporations that were bashful about effecting their union in the place of their residence. The results have been disappointing. The capital of the March corporations exceeding \$1,000,000, that have been tabulated in our columns, exceeded \$500,000,000, of which New Jersey got nearly \$300,000,000 and Delaware only \$21,500,000. The capital of the April corporations was \$325,000,000, of which New Jersey got \$228,000,000 and Delaware only \$7,000,000. If we omit two abnormally large corporations from the New Jersey list, the capital incorporated in New Jersey would still be about fifteen times as great as the capital incorporated in New Jersey. Not even cut rates and special terms to promoters have been effective in transferring this business from New Jersey to Delaware. Even Virginia incorporated three and a half times as much capital in April as Delaware did."

In 1898 1,103 companies were incorporated in New Jersey, with a total capital of \$810,840,000. In 1898 New Jersey got \$1,197,030 from a corporation tax levied upon 5,022 companies. Her total receipts, including fees for filing certificates, were \$2,359,198.

the people of such a state as may desire to collect its running expenses from the taxation of corporations organized to prey upon people outside. I read the letter to show how impossible it is for the people in one state to depend for protection upon the people in another state; and while, as I say, I believe the people in every state should have the power to create corporations and to restrain, to limit, and, if necessary, to annihilate, yet I believe that no complete remedy will be found for the trust until the federal government, with a power sufficiently comprehensive to reach into every nook and corner of the country, lays its hands upon these trusts and declares that they shall no longer exist. Congress should pass a law providing that no corporation organized in any state should do business outside of the state in which it is organized until it receives from some power created by Congress a license authorizing it to do business outside of its own state. Now, if the corporation must come to this body created by congress to secure permission to do business outside of the state, then the license can be granted upon conditions which will, in the first place, prevent the watering of stock; in the second place, prevent monopoly in any branch of business, and, third, provide for publicity as to all of the transactions and business of the corporation. If such a law would be unconstitutional, I am in favor of an amendment to the constitution that will give to Congress power to destroy every trust in the country.

"No state should create a corporation with a drop of water in its stock. The farmer cannot inflate, the merchant cannot inflate, why should the corporation put out stock that does not represent money invested? When we take from monopoly the power to issue stock not represented by money we shall have gone more than half way toward destroying monopoly in the United States. No license should be granted until the corporation shows it has not had a monopoly, and is not working up a monopoly; and the license should be revokable if the law is violated. Once establish the system and require the license, and Congress can gradually add such new conditions as may be necessary. Every trust rests upon a corporation, and every corporation is a creature of law. The corporation is a man-made man. The state and federal governments must protect the God-made man from the man-made man. The American people can rid themselves of anything they do not want.

"The truths of the declaration of independence are condensed

"Has the capital stock of a corporation, which is simply the nominal value at which the concern estimates its own property on its own books, any bearing upon the price of a commodity which it offers for sale?"—George W. Roberts, Director of the Mint, in "Why the Trusts Cannot Control Prices," in *American Monthly Review of Reviews*, September, 1899.

into four great propositions: That all men are created equal; that they are endowed with inalienable rights; that governments are instituted among men to preserve those rights, and that governments derive their just powers from the consent of the governed. Such a government is impossible under an industrial aristocracy. Place the food and clothing, all that we eat and wear and use, in the hands of a few people, and instead of it being a government of the people, it will be a government of the syndicates, by the syndicates, and for the syndicates. Establish such a government; and the people will soon be powerless to secure a legislative remedy for any abuse. Establish such a system, and on the night before election the employes will be notified not to come back on the day after election unless the trusts' candidate is successful. Establish such a government, and instead of giving the right of suffrage to the people you will virtually give the right of suffrage to the heads of monopolies, with each man empowered to vote as many times as he has employes. I am not willing to place the laboring men of this country absolutely at the mercy of the heads of monopolies. I am not willing to place the men who produce the raw material absolutely in the hands of the monopolies because when you control the price that a man is to receive for what he produces, you control the price that he is to receive for his labor in the production of that thing.

"The farmer has no wages, except as wages are measured by the price of his product; and when you place it in the power of

It may be interesting to note that Mr. Bryan appeared before the supreme court of the United States, April 5, 6 and 7, 1897, in an important case involving the constitutionality of a Nebraska law classifying freights and regulating rates. The appellants were the state board of transportation, and the appellees represented the interests of the Union Pacific, the Chicago & Northwestern, the Chicago, Burlington & Quincy, and other railways. Mr. Bryan was of counsel for appellants on the second hearing of the case. The supreme court held the Nebraska railroad law of 1893 void as prohibiting railroads from receiving just and reasonable compensation, and depriving them of property without due process of law and of the equal protection of the laws. In his argument Mr. Bryan pleaded that the judgment of the court below should be reversed, and the rates fixed by statute should stand. In his argument Mr. Bryan further said: "The ordinary business man cannot avail himself of watered stock or fictitious capitalization, nor can he protect himself from falling prices. * * * Can it be said that the railroad which carries the farmer's stuff to market merits greater consideration than the farmer who raises the crops? * * * Can it be said that the railroad which carries manufactured product to market merits greater consideration than the manufacturer? * * * Is the man who carries property from producer to consumer a more important factor in society than both producer and consumer? * * * Those who are in possession of a monopoly are apt to be indifferent, if not actually hostile, to the interests of those who are immediately affected by a change in the business conditions of the country. If, for instance, railroad owners can demand a return upon capital never actually invested in the construction of the road, or upon the original cost, when the prop-

the trust to fix the price of what the farmer sells, you place it in the power of the trust to lower the wages that the farmer receives for his work; and when you place it in the power of the trust to raise the price of what he buys, you do the farmer a double injury, because he burns the candle at both ends and suffers when he sells to the trust, and again when he buys of the trust. Some people have tried to separate the laboring man who works in the factory from the laboring man who works on the farm. I want to warn the laboring men in the factories that they cannot separate themselves from those who toil on the farm without inviting their own destruction. I beg the laboring men in the factories not to join with the monopolies to crush the farmer, for as soon as the farmer is crushed the laboring man will be crushed, and in a test of endurance the farmer will stand it longer than the laboring man."

erty has decreased in value, they not only have an unfair advantage over those who are subjected to competition, but may actually profit by conditions which are disastrous to others. An unrestrained monopoly preys upon all those who are so situated that they cannot themselves enter into a monopoly. An additional reason why the court should not enforce the demands of the railroads for returns upon inflated stocks and bonds is to be found in the fact that such action on the part of the courts would greatly embarrass, if not entirely defeat, the effort which is being made in various states to prevent the overcapitalization of railroads."

The decree of the lower court in each of the three cases at bar was affirmed; opinion by Justice Harlan, the chief justice and Justice McKenna taking no part. The court held that a railroad corporation is a person within the XIVth amendment of the constitution of the United States forbidding a state depriving any person of property without due process of law, or deny to any person the equal protection of the laws. Justice Harlan said: "While rates for the transportation of persons and property within the limits of a state are primarily for its determination, the question whether they are so unreasonably low as to deprive the carrier of its property without such compensation as the constitution secures, and therefore without due process of law, cannot be so conclusively determined by the legislature of the state, or by regulations adopted under its authority, that the matter may not become the subject of judicial inquiry."

GOVERNOR THEODORE ROOSEVELT.

"Where a Trust Becomes a Monopoly, the State Has an Immediate Right to Interfere."

Governor Theodore Roosevelt, in his message to the legislature of the State of New York, January 3, 1900, discussed trusts with sagacity and temperance. This is a synopsis of his propositions:

Whoever treats of the relations of the state to corporate and individual wealth should proceed with courage, caution and sanity. While the acquirement of wealth by the individual is of great incidental benefit to the community, some of it has been acquired, or is used in a way without moral justification. The wealth that produces enjoyment in proportion to its cost will excite no serious indignation, but wealth wasted in selfish and vulgar forms of social advertisement and competition menaces the whole future of civilization. "The point to be aimed at is the protection of the individual against wrong, not the attempt to limit and hamper the acquisition and output of wealth." It is as dangerous to blink at evils as to strike at them in ignorant revenge. Knowledge with zeal will work the only true reforms.

Every new feature of recent industrial revolution—for it has been revolution rather than evolution—has brought its hardship, at each stage some body of workers finding itself unable to accommodate itself to new conditions with sufficient speed. Yet, in the end, though some suffer, this accommodation takes place. "We do not wish to discourage enterprise. We do not desire to destroy corporations; we do desire to put them fully at the service of the state and the people. The machinery of modern business is so vast and complicated that great caution must be exercised in introducing radical changes for fear the unforeseen effects may take the shape of widespread disaster. Moreover, much that is complained about is not really the abuse so much as the inevitable development of our modern industrial life. Very many of the anti-trust laws which have made their appearance on the statute books of recent years have been almost or absolutely ineffective because they have blinked the all important fact that much of what

they thought to do away with was incidental to modern industrial conditions, and could not be eliminated unless we were willing to turn back the wheels of modern progress by also eliminating the forces which had brought about these industrial conditions. Not only trusts, but the immense importance of machinery, the congestion of city life, the capacity to make large fortunes by speculative enterprises, and many other features of modern existence, could be thoroughly changed by doing away with steam and electricity; but the most ardent denouncer of trusts would hesitate to advocate so drastic a remedy. What remains for us to do, as practical men, is to look the conditions squarely in the face, and not to permit the emotional side of the question, which has its proper place, to blind us to the fact that there are other sides."

With trusts we have sought to apply remedies blindly. "Much of the legislation not only proposed but enacted against trusts is not one whit more intelligent than the mediæval bull against the comet, and has not been one particle more effective. Yet there can and must be courageous and effective remedial legislation. To say that the present system of hap-hazard license and lack of supervision and regulation is the best possible is absurd."

"The man who by swindling or wrongdoing acquires great wealth for himself at the expense of his fellow, stands as low morally as any predatory mediæval nobleman, and is a more dangerous member of society. Any law, and any method of construing the law, which will enable the community to punish him, either by taking away his wealth or by imprisonment, should be welcomed. Of course such laws are even more needed in dealing with great corporations or trusts than with individuals. They are needed quite as much for the sake of honest corporations as for the sake of the public. The corporation that manages its affairs honestly has the right to demand protection against the dishonest corporation. We do not wish to put any burden on honest corporations. Neither do we wish to put an unnecessary burden of responsibility on enterprising men for acts which are immaterial; they should be relieved from such burdens, but held to a rigid financial accountability for acts that mislead the upright investor or stockholder, or defraud the public.

"The first essential is knowledge of the facts, publicity."

"The chief abuses alleged to arise from trusts are probably the following: Misrepresentation or concealment regarding material facts connected with the organization of an enterprise; the evils connected with unscrupulous promotion; over capitalization; unfair competition resulting in the crushing out of competitors who, themselves, do not act improperly; raising of prices above fair competitive rates; the wielding of increased power over the wage earners. Some of these evils could be partially remedied by a modification of our corporation laws; here we can safely

go along the line of the more conservative New England states, and probably not a little farther. Such laws will themselves provide the needed publicity, and the needed circumstantiality of statement. We should know authoritatively whether stock represents actual value of plants, or whether it represents brands of good will; or if not, what it does represent, if anything. It is desirable to know how much was actually bought, how much was issued free, and to whom, and if possible, for what reason. In the first place this would be invaluable in preventing harm being done as among the stockholders, for many of the grossest wrongs that are perpetrated are those of promoters and organizers at the expense of the general public who are invited to take shares in business organizations. There is no reason whatever for refusing to tax a corporation because by its own acts it has created a burden of charges under which it staggers. But very great hardship may result to innocent purchasers; and publicity by lessening the possibility of this would also serve the purpose of the state.

"Where a trust becomes a monopoly the state has an immediate right to interfere. Care should be taken not to stifle enterprise, or disclose any facts of a business that are essentially private; but the state for the protection of the public should exercise the right to inspect, to examine thoroughly all the workings of great corporations just as is now done with banks; and whenever the interests of the public demand it, it should publish the results of its examination. Then, if there are inordinate profits, competition or public sentiment will give the public the benefit in lower prices; and if not the power of taxation remains.

"It is, therefore, evident that publicity is the one sure and adequate remedy which we can now invoke. There may be other remedies, but what the others are we can only find out by publicity, as the result of investigation. The first requisite is knowledge, full and complete."

"In Massachusetts, not merely must the directors and organizers of a corporation, part of whose stock is issued against property, make oath that the property has been received at its actual cash value, and that the stock is issued at this rate at par, but the commissioner of corporations of the state must also certify that he is satisfied that this is the case. This is the capitalization of the plant and running capital, not necessarily that of the business as a going concern. On the other hand, most business men are of the opinion that the value of any property depends upon its earning capacity, its value as 'a going concern,' and that it is wise and just to issue stock of a corporation upon that basis."—"The Trust Problem," by Prof. J. W. Jenks.

PROF. JOHN BATES CLARK.

Philosophic Considerations by the Leading Expounder of the Doctrine of Potential Competition.

Admirably sane and philosophic contributions to the literature of trusts are the address of Prof. John Bates Clark, of Columbia University, before the Chicago Conference on Trusts, his article on "Disarming the Trusts," in the *Atlantic Monthly* for January, 1900, and his article on "Trusts" in the *Political Science Quarterly* for June, 1900. His analysis and speculation are along these lines:

The most encouraging fact in the situation is the moral earnestness, the feeling of antagonism to real monopoly, a feeling that is uniting people, particularly in the South and West, in a crusade remotely resembling the movement against slavery. Sweeping laws with plentiful penalties will be the children of this zeal, but it will be action, and more action will follow, and at the end will come solution of the problem. The statutory laws that survive and do the work will have what the present anti-trust laws want—they will have the power of economic law on their side. The country as a whole is against real monopoly, though two small classes are predisposed to favor trusts, even though they prove to be real monopolies. These are the revolutionary classes like socialists and anarchists, and the workmen of a few highly organized trades who see better wages in trust profits.

The great body of the people want capital to be productive to a high degree of efficiency; they want it so organized that it can compete with the whole world; but they will not be plundered. There are three things the people must differentiate if they would preserve what they really want and throw out what they will not have. These three things are, first, capital as capital; second, centralization; third, monopoly. Capital we want, centralization we want if it does not also mean monopoly; but true monopoly we do not want. In a passionate onslaught upon capital, centralization and monopoly, these important discriminations are lost, and "monopoly" does for all. "There is one great question of fact pending: Does centralization carried to great lengths necessarily

involve monopoly? If so the people are perfectly right in jumbling the two together, and attacking them both with all the energy they are capable. Monopoly is unendurable. If we cannot exterminate it or reduce it to harmless dimensions, we shall begin even to listen to the seductions of the socialists. We shall think better than we ever thought before of the plan of letting the trusts do their utmost, to the end that, as soon as one vast network of them shall have full possession of the industrial field, we shall seize its whole capital and use it for the benefit of the people."

But if we can stop at centralization, taming the trust to good uses, then we can command the world's markets, and spread among our people at home the means of a higher level of life. So it is ours now to discover what the state can do to make wider the rift between centralization and monopoly. The key to the kind of legislation we need is seen in the natural forces already curbing the great corporations. We have only to act according to nature. Competition, unbound, will defeat monopoly. "The mill that has never been built is already a power in the market, for if it will surely be built under certain conditions the effect of this certainty is to keep prices down." This influence is called potential competition, and it is a real force. The potential competitor awaits his chance to become an actual competitor, and high prices are his bait; but he looks for hard treatment and he gets it. "Our system of laws now permits overgrown capitals to bully small ones. The big company has a right to beat the little one in an honest race for cheapness in making and selling goods; but it has no right to foul its competitor and disable it by an underhanded blow; and this is exactly what great trusts are doing."

It is not true that mere size gives corporations a competing advantage. A trust that suffers losses in proportion to its capital is not necessarily a dangerous competitor. A new mill may be proportionately more productive than a dozen old ones. Predatory competition is in restraint of trade and against public policy. Predatory competition preys and destroys. A trust resorts to predatory competition when it lowers prices on the goods made by a competing concern and sustains them on all others; or makes prices low in one locality and high in all others. The concern that specializes in one line may thus go under. Similar obnoxious trust practices are agreements with merchants whereby the latter must keep prices at a trust level and handle none but trust goods. There must be stopped price-cutting for predatory purposes, and agreements that force merchants to boycott independent producers must be stopped. Tariff and patent law reform, control of the railroads, and above all uniform treatment of all customers by trusts are a combination appealing to the

latent power of competition that even now holds trusts greatly in check.

What is the international outlook?

"There is little doubt that the competition of nations will force every one of them, in the end, to tolerate production on the largest scale. By a law of evolution the state where industries are centralized, but not monopolistic, will succeed in the international contest. We are entering on an era of world-wide industrial connection. Asia and Africa are incorporating themselves into the economic organism of which Europe and America are the center. There is coming a neck and neck contest between European countries and the United States for lucrative connections with the outlying regions. There is also coming a late and grander contest between both America and Europe, on the one hand, and Asia and Africa on the other, for the command of the traffic of the world. In this contest victory involves more than any hurried expressions of mine can indicate. It means a leading position in the permanent progress of the world. It means positive wealth, high wages, and intellectual gains that cannot be enjoyed by those who develop less power.

"In the momentous struggle that is before us and that will yield to the successful the greatest of mundane prizes, I want my country to come uppermost. To that end I wish it to have every advantage that it can have in the way of productive power. I wish it to be able to meet the fiercest competition, not by accepting low pay for its labor, but by creating the largest possible product. Do you suppose that this is possible if it reverts to the plan of multiplying little shops, with the waste that this system entails? Mechanical invention, on the one hand, and organization on the other, can save us in the sharpest economic contests.

There is a competing power that comes from poverty. Pauper labor is a dangerous antagonist. We have perceived this at times, in the rivalries of America and Europe, and shall see it more plainly when the poorly paid dwellers in Asia shall enter the manufacturing field and try conclusions with us in an effort to command the largest markets. If they under-bid us it will be because they take less than we do for their labor; while if we under-bid them it will be because we produce more by our labor. Against the competing power that rests on poverty is to be arrayed the competing power that rests on economic strength, and this strength can come, in a decisive measure, only to that country that combines with inventive genius an organizing genius, and so adds to the power of the engine, the dynamo and the automatic machine, the power of centralized capital. I wish that successful country to be ours. I wish that our workmen may excel not in power to live on a little, but in power to create much, and to offer what they create for a correspondingly large reward.

Is this possible under a regime of great combinations? I firmly believe that it is so; though it will not be possible without the wisest laws, honestly enforced, and backed by all the moral energy that the present anti-trust campaign is developing."

In his article in the *Political Science Quarterly* Prof. Clark made among other points these: "More general than the opinion that the trusts ought to be crushed is the conviction that they will not down. They are here to stay and we know it. An explanation of the light-hearted way in which we put upon the statute books laws that aim to crush them is found in the fact that such laws do their principal work before they are enacted, when they are nothing but planks in political platforms. In the present temper of the public mind severe measures are at least good for the party that promises them; and if by an experiment or two it is shown that they are not workable, there is less danger in continuing to enact them into laws. In general, political platforms have of late required prohibitive statutes, with pains and penalties attached to them; and though such statutes have frequently been enacted, so far as large results are concerned, that has been the end of it. Unless we can 'fool all of the people all the time' we shall be forced sooner or later to change this policy; for the people will have laws that not only sound well, but work well. In order to obtain them the first step is to get a more thorough knowledge of the facts concerning trusts and their operation. We certainly need to know more than that in its outward appearance a trust resembles an octopus.

"One of the things that need to be determined is whether the independent producers who have been crowded out of the field are unfortunate sufferers from natural progress, or whether they are the victims of a wrong against which society should protect them. Mere centralization means a crushing out of competitors by a process that, however hard it is for them, is in a way legitimate, for it is an incident of the process of the survival of the fittest. But centralization that goes to the length of quasi-monopoly takes a different color, for it may exterminate competitors in ways that do not benefit society."

Before we conclude that the trusts have in a high degree the power of monopoly we should note two facts. The first is a weakness in the organization of the trusts; the second is the existence of a powerful restraining force in their environment. Theoretically all of a trust's proceedings are for the benefit of the stockholders. If this were the fact the great issue would be between the trust and the public; but as it is the more pressing issue is between the manipulators and the stockholders. The investor at present is the most conspicuous of the trust's victims. What he needs before all things is security. Then the first thing to do for all concerned is to clear out the mass of iniquity within

the organization, and the most efficient means is publicity. "The trusts must stand the turning of light upon their internal affairs. The public must know what plants they own, what they gave for them, what they are worth at present, for how much they can be duplicated, what appliances they contain, whether antiquated or modern—in short what is the substantial basis for the value of the stocks and bonds that are placed on the market. This knowledge is at present inaccessible."

But the people are not first of all thinking of the innocent investor. What they want to know is whether trusts mean monopoly. But we can take time to deliberate, because we are being protected, more than by statutes, by the influence of potential competition—the new mill that holds really monopolistic extortion in check. "A nearly ideal condition would be that in which in every department of industry there should be one great corporation, working without friction and with enormous economy, and compelled to give to the public the full benefit of that economy. This last is the crucial point; for it looks far easier to secure the monopoly of the field, and even a large part of the economy that this ought to insure, than to secure the making over to the public the benefits that accrue." The principle of monopoly itself is not perilous for that investor whose capital is in the monopoly, but it is intolerable for everyone else. The restrictions that now hold the trusts in check are not likely of themselves to grow stronger, while the trusts are likely to grow much stronger. The measures of restraint are not many.

First, we might, though not in harmony with our practice and principles, forcibly regulate business, either limiting a corporation's capital, or prescribing its percentage of output. But even that would not guarantee us against agreements that feigned competition but accomplished monopoly.

Second, we might abolish customs duties on all articles made by the trusts; but the policy of protection will not yield easily, and indeed the whole system should not be swept away too ruthlessly. Besides, if trusts should become international even

"The abnormal profits of a successful trust must be invested somewhere. Every purchase by which, to the apprehensive, monopoly seems to extend its sway only sets free fresh capital upon the market. The combine is up against a force that will persist forever. Beyond what it can profitably operate, every plant absorbed by the combine is a burden to it, and it had far better divide its profits with the consumers than sacrifice them in a hopeless attempt to beat off an endless succession of new competitors. It is folly to attempt to absolutely stop up a stream that flows from a perpetual spring. The dam may be made tight and high, but it becomes constantly more expensive, and in the end the water will find the old level."—George W. Roberts, Director of the Mint, in "Why the Trusts Cannot Control Prices," in *American Monthly Review of Reviews*, September, 1899.

a free trade policy would not longer be adequate for public protection. However, trusts have very little power in free trade countries.

Third, accepting monopoly as inevitable, we might regulate prices. But what of the corruption of officials; what of the price standard with no competition, and the difficulty of determining in every case price from cost and guaranteeing the producer a fair profit; and what of the ambition of a trust to improve means and method if it should still be allowed to make only the profit it is now making?

Fourth, we may put all monopolized industries into the hands of the state, and arrive at socialism, and no doubt this would abolish certain evils inherent in private monopoly. But, "it is perhaps safe to add that, if it were once tried the result that would prevent a repetition of the trial would be the slow but sure reduction of the productive power of the individual worker. With every inclination to make wages rise, the state would be baffled in its efforts by increasing population and by the check on improvements of method and on the accumulation of capital. The sources of gain for labor would dwindle till the 'iron law' would begin to assert itself, and a state that would gladly make workers rich would then be unable to keep them out of misery."

Is there no further recourse? There is one. Give to potential competition greater effectiveness—a fair field and no favor to the man who wishes to be an independent producer. Let the trust crush him if he can't produce goods as cheaply as it can; but let him bring the trust to terms if he can produce them more cheaply. This puts the trust where its security will depend not on its power to destroy competitors, but on its power to meet them fairly.

"The element of fear on the part of the small would-be competitor, who knows that he can be crushed out, is the influence which keeps him from investing his capital until the combination is securing considerably more for its product than competitive rates among small manufacturers. The certainty which keeps the large would-be competitor out, even when prices are considerably above such competitive rates, is that after he has entered the business the existing combination must force the competitive fighting so hard that profits will entirely disappear during the contest; and the knowledge that if a combination with the competitor is made, it must be with so large a capital and so much surplus productive capacity that even for a goodly time in the future the profits must be comparatively low, or more probably nonexistent; while the endeavor to make profits would push prices up again, which might tempt in new rivals. The only competition that is likely to prove effective, if any does, is that from another great combination in a collateral line of work. For instance, a great steel combination might effectively add to its plants some tinplate mills. This movement has already begun."—"The Trust Problem," Prof. J. W. Jenks.

ANDREW CARNEGIE.

"Dealing With Petty Affairs Tends to Make Small Men; Dealing With Large Affairs Broadens and Strengthens Character."

[THE ORIGINAL OF THE FOLLOWING DIGEST WILL BE FOUND IN A BOOK BY MR. CARNEGIE, "THE GOSPEL OF WEALTH AND OTHER TIMELY ESSAYS," WHICH THE CENTURY COMPANY WILL PUBLISH IN THE FALL.]

Andrew Carnegie, in the Century for May, 1900, in an article entitled "Popular Illusions About Trusts," makes these points, it being his main proposition that trusts cannot permanently thwart the laws of competition, and hence must prove beneficial agencies of the people:

The day is about passed when industry sees all it can hope for in the joint-stock idea. All expectations have not been realized; nevertheless, the corporation has encouraged the massing of innumerable small savings among a thrifty and aspiring people. Another important step forward was the creation of limited partnerships, as distinguished from the great corporations whose shares are publicly bought and sold, and whose owners are unknown. In the limited partnership only shareholders can be members, and the eye of the master is over all. Under this system exceptional but poor employers may become owners. The rise to partnership in vast concerns must come chiefly in a limited partnership system.* The joint stock corporation has been succeeded by the syndicate, and the syndicate by the trust. The massing of capital is an evolution from the heterogeneous to the homogeneous, and its direction is upward.

The comforts of today were the luxuries of yesterday. This is due to the effects of massed capital, and the lowering of cost of all articles. Cheapness insures distribution, and distribution refines and lifts a people. This is the law: cheapness is in proportion to the scale of production. Everywhere this inexorable law is producing bigger and bigger things. The locomotive has quadrupled in power; the steamship is ten times bigger; the blast furnace has seven times more capacity. This enlargement, this enrichment is

*Armour & Company changed from a partnership to a corporation in 1900. Last year its business amounted to more than \$100,000,000.

not for the few rich, but the million poor. The rich are not poorer, but the poor are richer. The gulf between the two is narrowing not widening. Aggregation of capital has brought the department store. It spreads increasing comfort through the masses. It may overthrow a system of many small stores, but such a change is inevitable. What of the value to the state of the former independent owners? The man of the small store becomes the more important manager of a department in a great store, and the field for exceptional ability is wider than in the small establishment. "This bigger system grows bigger men, and it is by the big men that the standard of the race is raised. The race of shopkeepers is bound to be improved, and to become not only better business men, and better men in themselves, but more valuable citizens for the state. Dealing with petty affairs tends to make small men, dealing with large affairs broadens and strengthens character." In the manufacturing industries consolidation saves cost in transportation, and cheap articles travel far. Reduced cost of production, under the free play of competition, insures reduced prices to consumers.

Have trusts monopolized products? Can they? A patent means a monopoly. The rest of the world is gradually coming over to our patent laws. The case of the Standard Oil holding a monopoly in raw material is unique. It has been secured by "exceptional ability and in circumstances not likely ever to occur again. The price of its continued success is a line of such able men as its originators. Its second source of strength lies in the fact that through its extensive operations it has been enabled to reduce the price of its product to the consumer. It is not to be classed with the ordinary trusts."

Recently came a new and surprising development of the trust idea. It was the purchase by the Pennsylvania Railroad Company of enough stock in the Baltimore and Ohio to put its vice-president among the latter's directors. If this movement grows it may lead to unthought of legislation.*

The genesis of trusts is in long periods of depression when competitors think they have found a new way to get around unchanging economic laws. So, great sums are offered for antiquated plants which may not for years do more than pay their way. Then the dozen or twenty individuals are tied together with the hope that the mass will be vitalized. If they start in on a natural period of activity, and charge large prices because there is a large demand, the public is alarmed. But is not the public needlessly alarmed? Competition may be hindered, but rarely completely stifled. For every Goliath there will come forth a David. The new will be better qualified to make a cheap market than the old. He who attempts monopoly will perish by monopoly. "The only people who have reason to fear trusts are those who trust them."

*See Railroads.

GOVERNOR JOSEPH D. SAYERS.

"Arrogant, Unscrupulous and Merciless in the Exercise of Its Powers, the Trust Should Be Fought Until the Very Death."

Texas has legislated against trusts in a stringent fashion. The governor of Texas, Joseph D. Sayers, called the trust conference* of governors and attorneys general that met in St. Louis in September, 1899, and he also explained the views of his state concerning the problem in the "North American Review" for August, 1899. In this article Governor Sayers, after citing in full the provisions of the new law that went into effect January 30, 1900; thus voiced the sentiment of millions in the West and South:

"A high protective tariff, which excludes foreign competition, and a single gold standard, which limits the volume of currency and enhances the value of that in circulation, supplemented by the easy formation of corporations under state authority, are the potent instrumentalities upon which the trust depends for its existence. If, under the trust reign, the industries of the country be passing into the hands of the few, if the products of other lands be so heavily taxed as to be, in great measure, denied entrance into our ports, and our people thereby compelled to buy and use only those manufactured at home, if the cost of production and distribution is being reduced to the minimum, if the output is being so regulated as not to exceed a given quantity, and its selling price determined by the trust exclusively, if the small dealers are being put under duress as to those from whom and as to what they may buy, and as to how they may sell, if individual effort be no longer able to compete successfully with corporate power and corporate advantage, if young and weak industries are being strangled to death and the establishment of new and independent enterprises prevented, it cannot be doubted that for this untoward and unhealthy condition of industrial and commercial life legislation is in a large degree responsible. If the trusts shall

*See conclusions in section on "Public Conferences on Trusts."

be permitted to organize and to operate as for the last several years, the result is certain that a more disastrous panic than has ever been known will sooner or later occur.

"If the legislatures, governors, and attorneys general of as many as twenty commonwealths will thoroughly and sincerely agree on a line of policy, and will execute it with courage, vigor and impartiality, the trust-power will surely be broken. Circumscribed in the area of its operations and limited to those states to whose favor it owes its birth, it will not be able to maintain itself. The trust should be regarded as a public enemy and should be treated as such. Arrogant, unscrupulous and merciless in the exercise of its powers, it should be fought until the very death."

Under the new anti-trust law of Texas, and by decision of the court of civil appeals, a gas and electric lighting company has had its existence ended, and property turned over to receivers. This severe punishment followed a combination with three other corporations of the city where it operated, whereby the property and interests of all were placed under single management, and three of the companies were to refrain from bidding for public lighting.

JOHN P. ALTGELD.

**“‘The State Must Act’; ‘The Federal Government Must Act’;
‘Both Must Act.’ With Charming Impartiality the
Trusts Play One Against Another.”**

A noteworthy event incidental to the National Anti-Trust Conference held in Chicago, February 12, 13 and 14, was a mass meeting in which the principal speaker was John P. Altgeld, late governor of Illinois. He expressed these views:

“Man’s progress has been a struggle to get out of the power of other men. Lincoln declared a fundamental truth when he said that no man is good enough to govern another. In this country we have intellectual and political freedom, and but two forces are recognized—the individual and the collective force. But while we have set up independence in intellect, in religion, and in government, we have made kings in new fields—we have created private monopolies, and freedom of mind, religion and government will avail little if we are to have industrial and financial slavery. In many fields competition has ceased to exist. In the whole domain of public utilities monopoly is in few hands, and to these the benefits of the economy of monopoly go. Transportation, which is both food, raiment and shelter, is controlled by private monopoly, and a monopoly that has the public absolutely in its power, a few mighty interests being builded up, the smaller shipper being destroyed.

Every manufactured article that is of prime necessity to the people is controlled by a trust, with its arbitrary power to fix prices.

“The first step is to discharge all traveling men and all the bright, high-salaried men who are necessary in a competitive business, but are not needed by a monopoly. This effects a saving in the cost of production, and were it to stop here it might be said that it was in harmony with the spirit of the age, and the discharged men must seek new fields, but under this system there are no new fields, and the young men who formerly could look forward with hope now find nearly all avenues of advancement closed to them. The men controlling the trust simply did what

men always have done—that is, exercise their power. They arbitrarily mark up the price of goods at pleasure and the public is helpless. The statistics show that almost every manufactured article used by the American people has during the past two years been arbitrarily marked up from 20 to upward of 100 per cent. This is the natural result of monopoly. You ask, 'Have not wages advanced in the same proportion?' Unfortunately not. In the great majority of the industrial establishments of America there has been no advance in wages. More men are employed, but the wages have not been advanced. A small number of establishments have advanced wages 10 per cent, a small number 15 per cent, and only a few 20 per cent, while they advance the price of their goods about 100 per cent, so that as a rule out of every ten-dollar raise in the price of goods the trust got nine where the labor got one. Yet the cost of living has been increased for the labor from one-third to one-half.

"It is claimed that nearly one-half of our people are directly or indirectly connected with agriculture, and must sell their product in the open, competitive markets of the world, while they with all others are now forced to pay monopolistic prices for all they buy and for carrying charges. It is manifest that this must exhaust them and lower their social status, and as they sink, all interests dependent upon them must also go down, while on the other hand there will be built up a few mighty fortunes. At present blood is being sucked from every pore of American industry, and is congested in the fever-poisoned veins of monopoly.

"The people who do the country's work, who build up our cities, operate our railroads, till our farms, and run our machines—the people who make the land fit to live in—are being devoured, and we are enthroning a few men who have no religion but greed, no garb but mammon, and no flag but the dollar mark. But haven't we now the greatest prosperity ever known? Among the trusts, yes; among the stock gamblers, yes; among those who eat the bread of other men's toil, yes; but among the people who are doing the country's work, I say emphatically, no. The present prosperity is like the malaria in the South—it exists in the next county, but never where we are."

Monopoly has persuaded the government to surrender to it the function of issuing money, by bribery it escapes taxation; it insists upon "controlling the preacher in the pulpit, the editor in the sanctum and the professor in the lecture room." Nearly every abuse of the day can be traced to special privileges. A corporation has the element of perpetuity, which a man has not, and besides the power to concentrate, and therefore is more powerful than the ordinary citizen. This principle is wrong, though at first it seemed that the privilege of incorporating, being open to all, did no injustice. What of enterprises too great for

the individual? Let the collective body perform them. Then each individual will be benefited instead of victimized by monopoly. What of the corporations in existence? Repeal the laws under which they are organized. Let the public take and pay for them. By degrees their charters will expire. If any are progressive monopolies, condemn them.

"Some say, 'Let the state act.' Others say, 'The federal government must act.' Still others say, 'Let both act.' With charming impartiality the trusts play one against the other. When the federal government is invoked they cry, 'This is a state matter.' Strange as it may seem, they then insist on state rights. But when a state does act, they then find some convenient federal judge who holds the act unconstitutional. This is the uniform history. Nearly every state in the Union has acted, but all state efforts have been futile. As in all great crises, no single solution can be offered in advance. What we need is the earnestness of 1776, 1861 and 1896. There is no question but what the tariff is the mother of some of the trusts; it builds a wall around the country and keeps foreign goods out. This makes it possible for the home manufacturers of any articles to put all their establishments under one management, and thus have the people at their mercy. Break down that wall; let foreign goods come in, and the trusts will have to reduce their prices so as to compete for business. In all such cases it is manifest that the abolition of the tariff would give relief.

"The Interstate Commerce Commission was created about fourteen years ago by Congress for the express purpose of regulating freight rates, protecting shippers and especially to prevent unjust discrimination on the part of the railroads. But the railroads would not submit to the rulings of the commission. They got the federal courts to interfere. They got first one federal judge to pull a tooth out of this law, and then another federal judge to pull another tooth out of it, until finally they made the commission impotent. Generally the railroads got their friends appointed on the commission and were able to control it, and whenever they could not control it, they got a convenient court to neutralize its action. The commission has indeed collected many volumes of evidence, showing discrimination and violation of the law, but it could give no relief."

The commission represents the government, and the government should be greater than the corporations, but the corporations are really greater than the government. The government ownership of railroads would restore republican institutions. But what of the tremendous power of such a system, cry some. Let us see: "Do you believe it possible for the government to coerce its men any more than the corporations coerced their men in 1896? Why, the government employees in the mail and other service were com-

paratively free, while the corporation employes were treated in the most infamous manner. If a government official attempted to practice brutal coercion he would be prosecuted, and not only sent to jail, but dismissed from the service. But when a corporation official does this, you are helpless. Again, the corporations now contribute millions of dollars to carry elections, and then get it back with a thousand per cent profit from the government in the form of special privileges, contracts and other advantages; whereas, if the government owned the monopolies, it could not spend a dollar for this purpose. But if the government took the railways it would be obliged to adopt some such merit system as now prevails in the postal mail service. Business necessity would compel this, and the railroads would not be such powerful political machines as they are now."

"But have not the trusts furnished the capital that has developed our country? Just the opposite; the country has furnished them the capital. As a rule, they have given the country nothing. The men who control the trusts today are, as a rule, simply manipulators. They have simply taken what other people have created."

In June, 1892, the New York *Tribune* compiled a list of American millionaires, to show that the protective tariff system is not the cause of monopolies and great fortunes. In his book on "The Distribution of Wealth," Prof. John R. Commons says:

"The investigation amply demonstrates this proposition. Of the 4,047 millionaires reported only 1,125, or 28 per cent, obtained their fortunes in protected industries. About 78 per cent of the fortunes were derived from permanent monopoly privileges, and only 21.4 per cent from competitive industries unaided by natural and artificial monopolies."

Prof. Commons said at the National Anti-Trust Conference: "Trusts fatten only in countries with a protective tariff. They always sell cheaper to foreigners than at home. If they are a blessing they should begin at home. A lower tariff on trust goods, with protection on industries not yet developed, will prevent this kind of extortion."

GENERAL A. B. NETTLETON.

The Opinions of a Student Who at First Approved Trusts, But Now Condemns Them.

General A. B. Nettleton, in "Trusts or Competition," 1900, thus argues against trusts:

"The claim that trusts reduce the cost of production is weakened by a three-fold fallacy: (1) There is a well-defined limit beyond which no advantage in cost of production results from increased size of plant. (2) The average trust is not massing production in one or more great modern establishments, but is buying and then maintaining from five to forty existing and widely separated plants, representing all grades of efficiency and inefficiency; hence it can lay no claim to the best economic conditions and results in production. (3) Whatever advantage in the form of cheapened production results from greater capacity of plant is realized by individual establishments of large size, adequate capital and competent management, without any necessity whatever for invoking the trust or monopoly feature."

To establish his first point he quotes from the address of Prof. Henry C. Adams before the Chicago Conference on Trusts:

"It is common to say that increase in the size of manufacturing plants permits the production of commodities at less cost

General Nettleton, making a personal explanation in his book, "Trusts or Competition," declares that at first he had inclined to the view that the trust movement is legitimate, beneficial and permanent, but that searching study had led him to be profoundly convinced "(1) that it is fundamentally wrong in theory and incurably evil in operation; (2) that, in the luminous words of President Hadley of Yale, it is a system which 'makes increased economy in production a pretext for monopolizing the market;' (3) that its claimed advantages, so far as they are legitimate, are equally attained by corporations and concerns engaged in modern large-scale production with adequate capital, without any resort to monopoly; (4) that the trust system forcibly adds to natural industrial development, which all approve, the alien element of arbitrary monopoly, which none should tolerate; (5) that (unless it is to serve as a stepping-stone to socialism) the trust system will endure only until the people give to their highest courts an opportunity to apply the law, not to its regulation, which would be futile, but to its removal, which is entirely practicable."

than would otherwise be the case. There is undoubtedly some truth in this statement. The development of machinery has gone hand in hand with the growth of factories, and as a result the product is furnished at a cheaper rate. But there is a limit to the application of this rule. Every manufacturing industry, considered from the point of view of production, has at any particular time a size which may be regarded as its normal size of maximum efficiency. This normal of maximum efficiency is determined by the extent to which division of labor and the use of machinery can be applied. To increase such an industry by one-half would not result in a decrease of the cost of manufacture, for it would occasion a less effective application of the principle of division of labor.

"While, therefore, it is true that the concentration of capital and labor under a single direction is followed by economy up to a certain point it is not true that combination and concentration beyond that point tend to reduce the cost of production. He who accepts this statement of the case must conclude that manufacturing combinations, I say nothing of other forms, contribute nothing to the reduction of the cost of manufacture beyond what would be contributed should each of the industries continue its independent competitive existence. This is a curt answer to a profound question, but it is believed to rest upon sound analysis and to lead to the conclusion that the motive to a trust organization of manufacturing industries is not found in a desire to benefit the public by the reduction of cost."

General Nettleton illustrates his argument, that individual establishments of large size can realize cheapened production, by citing the case of the Baldwin Locomotive Works, of Philadelphia, which has a large foreign market; and contrasts this concern with the American Tin Plate trust, which capitalized \$10,000,000 of value at \$50,000,000; paid Judge Moore, the trust's promoter, \$10,000,000 in stock; is earning dividends on its entire capital; has for various reasons nearly doubled the price of tin plate in eighteen months; and, by monopolizing the entire industry, is a typical trust.

With reference to trust retrenchment in advertising and employment of traveling men, General Nettleton claims that trusts that expect to save in these items must also expect to lose through diminished sales, for "the country merchant often has more inertia than enterprise, and with the periodical visits of his favorite drummer discontinued, his orders dwindle or are delayed until unseasonable"; and as for advertising demand is largely created and maintained by this method. "A further fact must be reckoned with, at least until the public has received a new revelation, and that is that the deep-seated prejudice against trusts as unfair monopolies will tend to diminish the consumption

of trust-made goods. Increased effort, costing money, will be needed to counteract or compensate for this drawback."

The claim that trusts enlarge our foreign trade is disputed, the maximum of efficiency being reached in such great independent exporting concerns as the Pillsbury-Washburn Milling company, the Baldwin Locomotive works, and the Cramp Ship and Engine Building company. The Standard Oil trust is practically a natural monopoly, and whatever its additions to our foreign trade it is wholly differentiated from the trusts now on trial before the country.

What of the ethical side? "If, as claimed, in order to 'vanquish' foreign manufacturers by underselling them in their home markets, thus driving them to the wall and bringing distress to whole communities of our neighbors over the sea, it is necessary to subject our own industries to bondage and build up an unfair competition abroad on an unfair monopoly at home, then the result is not worth the price. Every manly community, domestic and foreign, will expect to face fair competition and take the consequences, but an American monopoly trust, if it possesses the advantages it claims, is playing the competitive game with loaded dice."

What the trust system can do to the small communities and the farm life condemns it. In the next quarter century one-half our population will be living in towns of more than 5,000. The farmer more than ever will be dependent upon proximity to these centers of population. Now, it has been the ambition of every

"The Baldwin locomotive concern, which is one of the largest and most important manufacturing institutions in the world, has resisted the craze for trusts, stock corporations, bonded mortgages and other modern forms of industrial organization, and still remains what it was when it was first started—an old-fashioned firm with four partners. They have never been tempted to water stock, and it has never been necessary for them to issue bonds, although they employ 7,250 men in the very heart of Philadelphia, not more than five minutes' walk from the city hall, and are turning out an average of ten locomotives a day. During the last year their locomotives went to seventeen different foreign countries and were sold to twelve different national governments—in Europe, Asia, Africa, Australasia and in North and South America and the West India islands."—Philadelphia letter in *Chicago Record*, June 28, 1900.

Daily paper, July 31, 1900: "The preliminary trials of the cruiser *Varlag*, built by the Cramps for the Czar, show that it is not only the swiftest, but one of the most formidable fighting machines in the world. It went nine times over a measured course, ten nautical miles in length, gradually increasing its speed from about 16 knots to 24.6. When it passed the line it was making over 25 knots, and, what is most remarkable, under natural draft. The United States at present has no cruiser which can equal this record. The *Varlag* is a knot faster than the *Minneapolis*, and two knots faster than the *Columbia*, both of which are now outclassed. The three new cruisers which are to be begun next winter for the United States navy are to have the same contract speed as the *Varlag*."

American town worth its place on the map to secure manufacturing plants and build up local industries, and the thrift and importance of our towns and cities have been measured by their success in such enterprise. But what of the trust? It is fair to assume that unless checked it will take in the desirable outstanding plants, and that no new plant will be started in any town, by the initiative of its citizens, in an industry controlled by a trust. What follows? "If any existing trust were now organizing and starting its particular industry from the foundation it certainly would not scatter that industry in a score of plants throughout a dozen states. If the industry is to have one ownership and one management then such an aimless distribution is unnatural and uneconomic. Some exceptions to this rule would suggest themselves where bulky raw material governs factory location, but for the most part the foregoing statement is obviously true."

Where, then, will be the seats of American manufacture? Centralized ownership means a gradual centralization of production. Almost uniformly the trusts are owned and controlled east of the Alleghenies. When business is enlarged it will be done within a moderate radius of the central office. A factory will be rebuilt as part of the central group, not in the town where formerly situated. Two things will accelerate this concentration: public sentiment toward trusts in the West and South, and the advantages of location near financial and industrial centers with abundant labor, banking and transportation facilities. A trust owned at the East will not scatter new factories throughout the Central, Western and Southern states. Such is the prospective blight upon American towns.

Charles B. Spahr, writing of "The Northern Farm," in the "Outlook" of Nov. 4, 1899, said: "I went from Litchfield to the Red River Valley to investigate 'bonanza farms.' Ever since David A. Wells, in his 'Recent Economic Changes,' published about ten years ago, urged that the prices of farm products were being reduced by the cheaper methods of production employed on the great ranches, the impression has been circulated far and wide that in agriculture as in manufacturing the 'big fish are eating up the little ones,' and that the independent small farm is soon to be a thing of the past. From the time I entered Minnesota till the time I left North Dakota—the supposed fields of gold for the great wheat ranches—I heard not a single fact that even seemed to support the prevalent Eastern theory. In southern Minnesota everybody I asked agreed that the large farms had been the least successful, and Superintendent Gregg assured me that all over the state the big farms were gradually being broken up into smaller ones. On the railroad car north, my first traveling companion proved to be the agent of one of the very large land companies in the western part of the state, and when I asked him about the profitability of farming on a large scale, he said that his company had now adopted the policy of selling its land to small farmers. He did not, indeed, depict the 'bonanza' farm as hopeless, but he recognized that

And now what happens to the farmer? To whatever extent the towns are depopulated or industrially depressed, to that extent his hay, straw, vegetables, firewood, dairy products, etc., find no market. The gospel of a protective tariff has had its believers in the North and West largely through its emphasis of a home market, through its emphasis of the picture of the factory near the raw material, the industrial village near the farm. What of this theory under the reign of the trust?

"But the fundamental wrong visited upon the American farmer by the trust system is this: The farmer produces and sells raw material. He is rightly interested in selling his product at the highest price and buying his commodities at the lowest price that fair and natural economic conditions will warrant. The trust system brings in unfair and uneconomic market conditions in both directions. All authorities agree to the soundness of this double proposition: When all buyers combine, or there is but one buyer, and sellers compete, the sellers get the lowest possible price for what they sell. When all sellers combine, or there is but one seller, and buyers compete, buyers pay the highest possible price for what they buy.

"Apply this to the case of the trust and the farmer. For practical purposes the monopoly-trust is the only buyer of raw material for its particular line of industry, while farmers always and unavoidably compete with each other in selling—hence, the lowest possible price is received by the farmer. On the other hand, in the nature of the case the trust is the only seller of the manufactured article in its line, while all farmers and other consumers compete in buying; result, the highest possible price is paid by the farmer for what he buys of trust-made goods. The effect of this economic law can only be modified in the present

it was less profitable than the small farm managed and tilled by its owner. When I reached the Red River Valley, where the large farms are still the rule, this judgment was universally confirmed. The great estates of that region are doomed to disintegration. The great wheat ranch cannot compete with the small diversified farm. In agriculture the big fish are furnishing food for the little ones."

Mr. Spahr talked with a large farmer of exceptional energy and intelligence, who never allowed things to "run at loose ends." "When I asked this farmer why the large farms were breaking up into small ones, he put the whole case in a single picturesque phrase. 'There are,' he said, 'only two sure crops in this country—ice and children; and the small farmer has the children.' The profit of a farm does not come from the cultivation of great stretches of wheat with men hired for the season, but from the cheap rent and cheap food for the farmer's own family, and the constant employment of its members the whole year through in looking after the by-products of butter and eggs, fruit and meat, and turning the waste from one part of the farm into the enrichment of another. The big farmers could not hire help to do this work satisfactorily—especially from the roving class that preferred to work on the big farms."

case by supposing that the trusts will be able to cheapen cost of manufacturing their wares and then will benevolently sell them to consumers at prices as low as would have prevailed under open competition. There is no warrant whatever for believing or expecting that this supposition will be realized. The only qualifying factor will be the very moderate effect of foreign competition carried on in spite of the tariff.

"It is useless to blink the patent fact that the present trust movement, and particularly the phase of it affecting the welfare of farms and towns and the open door of opportunity for young men, cannot fail to revive and intensify sectional prejudice against the East. No matter how illogical and unfair this may seem, the fact has to be reckoned with by any citizen who really tries to be candid with himself and with the problem in hand. It would be disastrous if the closing of one gulf of sectionalism should be followed by the opening of another."

What is labor's outlook under a trust system? It seems a proper answer that as the farmer will fare in the reduction of industrial life in our towns and small cities so will fare the laborers whose homes and employment are there. "The dismantling of a Western factory can be accomplished by a telegram. It takes longer for the discharged workman and his household to adjust themselves to the new emergency." Furthermore, may not the grade of American labor become debased under a system that seeks the lowest possible cost of production, and looks to imported labor as an efficient agent? It was Mr. Havemeyer,

Editorial in "National Rural and Family Magazine," July, 1900; James W. Wilson, editor:

"The trust, which in common parlance means any combine in restraint of trade, has been tried in the balance and found wanting. There is no good in it. It is utterly bad and a menace to the welfare of society, and therefore must go.

"It threatens and is building industrial slavery.

"It deprives young men and others of opportunity, holding out only a position of perpetual servitude in place of an independent business career.

"It discourages inventive genius and progress, which is stimulated by and is largely the product of active competition.

"It curtails employment by raising prices, thereby diminishing consumption and limiting production. Many factories throughout the country have been shut down by the trusts. Competition is not only the life of trade, but furnishes employment.

"It absorbs the money which competition scatters through the country by traveling men, in advertising and various other ways, and transfers it into the pockets of wealthy stockholders, who either spend it in the big trade centers or squander it in Europe.

"It places the money, transportation, commerce and industries of the country largely in the control of Wall street, to be made the football of gamblers.

It is a curse to the agricultural interests of the country in many ways. By shutting down mills here and there it destroys the local demand for

of the sugar trust, who retorted to the Industrial Commission, "I don't care two cents for your ethics—I'm in this for business."

And what of the door of opportunity? The nation's industries have diversified, but are the openings for our boys proportionately multiplied? The average country town, in and about, has been the nursery of forceful character. Is the trust closing the ancient avenues of advancement? "Unless the leopard is to change his spots and human nature suddenly become regenerate, the trust and the associated trusts will have a final word to say as to the political career of any rising young man who promises to have aggressive influence in civic affairs. Their heavy, though often invisible, hand will be everywhere present in political events." A great truth was once uttered: "The Republic is Opportunity." Is the republic opportunity?

products. By curtailing employment it curtails the consuming power of the people. By massing money which hitherto has been scattered throughout the country into the hands of a few stockholders, it again limits the home demand for products. By raising the price of utilities it extorts from the farmers an unfair share of the products of his labor. By raising the price of its products above the general price level, as fixed by the quantity of money in circulation, it depresses the price level of farm products below the normal level, thereby cheapening farm products. If it had not been for trusts, farmers would be much more prosperous than they are.

"The trust must go."

GEORGE GUNTON.

"Trusts Are the Last Link in an Industrial Chain More Than a Century Long."

A champion of trusts, as efficient trade organizations, is George Gunton, of New York, author of "Wealth and Progress," "Principles of Social Economics," and "Trusts and the Public," publisher of *Gunton's Magazine*, and participant in the Chicago Conference on Trusts. His views may be summarized thus:

What is charged against trusts? It is charged that they tend to build up monopolies, and they drive small capital out of business; that they destroy competition, the minimizer of profits and equalizer of values; that they amass fortunes at public expense by increasing prices in commodities; that they tend to build up an oligarchy at the expense of personal and political freedom and democratic institutions.

What is monopoly? If monopoly is secured through arbitrary exclusion of competition it is an evil; if from capacity to make an article cheaper than somebody else, through larger capital and superior methods, it is good. The public wants to decrease the proportion of product that goes to capital, and increase that that goes to itself in low prices and high wages. So the public has no use for the small capitalist unless he can produce wealth as cheaply as the large one. Strictly speaking concentration of capital does not drive small capitalists out of business. It simply integrates them into a large and more complex system of production, in which they can produce more cheaply for the community and get more for themselves.

Do trusts, does concentration destroy competition? No. When the small factory undersold the handloom weaver, and drove him from the market, it did not destroy competition. It ceased between man and factory, but was itself raised to the plane of small manufacturers. After that small manufacturers were integrated into corporations, and the plane of competition was now as between corporations. And now the corporations have combined in trusts, the trust underselling the corporation, and again the plane of competition has been raised. It is now the struggle of trusts, with competition increased and the margin of profits minimized.

Does concentration increase prices? No. "The use of large capital, the specialization of labor, and the concentration of productive power are the infallible evidence, not only that wealth is being more economically and abundantly produced, but that the community in general, and the wage receivers in particular, are obtaining a constantly increasing proportion of the product." But what of prices if trusts control all productive processes? The sensitiveness of capital will keep it in check. Nothing is so cowardly as a million—except two million. Capital shrinks at the sight of losses, though running any risk for probable profits. If the gates are always open to new capital, the effect is essentially the same as if it had already come; for to keep it out needs the same kind of influence as to drive it out.

Are trusts becoming political dictators? Their influence is rather to prevent legislation than to secure it. As captains of industry grow in industrial power, they become politically ostracized. They have not developed qualities of statesmanship. They must get their legislation indirectly.

"The concentration of capital is economically possible only in proportion as the consumable wealth it produces is generally distributed. The charge that the concentration of capital in the form of trusts and syndicates necessarily tends to produce monopoly (in an obnoxious sense) destroy competition, increase prices, oppress labor, or to put the government in the hands of an industrial oligarchy, is without any real foundation in fact or justification in reason. On the contrary these institutions, instead of being the evidence of industrial abnormality and economic disease, are the natural consequence of modern industrial differentiation, and in their nature are economically wholesome, and politically and socially harmless."

Trusts are the last link in an industrial chain more than a century long. Each link served mankind; if it had not it could not have sustained itself in competition with old methods.

How can the state add to the advantages of concentrated capital? It could furnish frequent and reliable statistics as to cost of production, including that of raw material, wages and transportation, and also the selling price of the product in large industries. By this means the mobility and competitive influence of capital would be greatly increased, and the full benefits of large enterprise and improved methods of production would be secured to the community by the necessarily minimized prices and profits. "The error of trusts is not the extent of their concentration of capital or their industrial supremacy; it is their failure to recognize the economic law of their existence, namely, that an increased concentration of capital and commercial power in fewer hands is justifiable only on the condition of improved service to the community, either in better quality or lower price of what is furnished.

Profits are the legitimate reward of capitalistic enterprise, but they must be obtained by exploiting nature through improved methods, not by exploiting the community through higher prices. If capitalists imagine that any amount of accumulated wealth can enable them to defy essential conditions, they are wofully mistaken, and sooner or later they will have to pay the penalty, either by arrest of their progress, or by entire dispossession of their present industrial opportunities."

How have trusts affected prices and wages? The great era of machine methods has been since 1860. The most exhaustive collection of industrial data in any language is the report of the Committee of the United States Senate, Senator Aldrich, of Rhode Island, chairman, on wholesale prices and wages between 1860 and 1891. In 140 groups of manufactured products there tabulated, where capital was considerably concentrated and machinery used extensively, prices had fallen 6 to 40 per cent. Of 200 articles investigated 58 had risen in price some 100 per cent, and a very large proportion from 30 to 70 per cent. "The fall in the prices of products produced by capitalistic methods was enough greater than the rise in the prices where hand labor and small capital were used to make an average fall in prices of about 4 per cent, and a rise in wages of 68 per cent. Through the processes of capitalistic methods, from 1860 to 1891, the purchasing power of a day's work was increased slightly over 72 per cent, which is only another way of saying that concentrated capital increased the public welfare 24 per cent every ten years since 1860."

"The essential economic features of large aggregations of capital are: (1) That by the use of large and superior methods they improve the quality and reduce the price of commodities. (2) They are more favorable than smaller concerns to an increase in wages. (3) By introducing scientific precision into industry they

Henry D. Lloyd, in "Wealth Against Commonwealth," 1894: "To prove that oil is cheaper than it was is not to prove that it is cheap. Anything begins to be dear the moment the power to fix the price has been allowed to vest in one. The question whether our monopolies have made things cheap or dear in the past pales before the exciting query, what will they do in the future, when their power has become still greater, or has passed by death, descent, or sale into hands less shrewd and greedier? Such power never moves backward. Says President Andrews, of Brown University (late superintendent of schools, Chicago): 'When a commodity is turned out under such conditions, cost no longer regulates the price. This is done quite arbitrarily for a time, the seller's whim being perhaps sobered a little by his memory of old competitive rates. Slowly caprice gives way to law; but it is a new law, that of man's need. Prices go higher and higher till demand, and hence profit, begins to fall off; and then they play about the line of what the market will bear, just as they used to about that of cost. The producer can be more or less exacting, according to the nature of the product. If it is a luxury, the new law may not greatly elevate prices above the old notch. If it is a necessity, he may bleed people to death.'"

tend to increase the permanence of employment and reduce the tendency to industrial depression. Manifestly, therefore, the tendency to large aggregations of capital in productive enterprise is economically sound, socially advantageous and necessary to modern progress."

"Profits once lost by falling prices, except under the sudden pressure of war or depreciated currency, can never be permanently re-established by raising prices, but must necessarily come through new profit-creating methods, either in the form of improved machinery or more economic type of organization. Though not much understood this fact is universally felt throughout the industrial world."

The moment a trust organization raises prices of a product enjoying any degree of protective duty, it should thenceforth be put upon the free list, and become a subject at once to world competition. If the organizers of trusts in any line have not economic sense and public spirit enough to refrain from using their concentrated power to tax the public by increasing prices, the public should at once withdraw any protective advantage it has given to that industry. The primary object of protection is to make it possible to stimulate the development of domestic industries; but when industries have become established, and proceed to

George Gunton, editor of *Gunton's Magazine*, at the Chicago conference on trusts made the following explanation of the economic value to the Nation of the Standard Oil trust:

"The Standard Oil Company, the most hated of all large corporations, has an immense investment involved in thousands of miles of pipe line and millions of gallons of storage capacity, which takes the oil from the wells and delivers it at the seaboard without the touch of human hand. It has immense sums expended in experimentation for an improved quality of the product, which have resulted in reducing the price of oil (in gold) 75 per cent since that corporation was organized. It has thus required tens and even hundreds of millions of capital, which only a colossal corporation could furnish. This corporation, by its immense capital, preserves the oil industry to this country. But for it the American market for petroleum would be supplied by Russian producers. Russia protects its oil producers by a 200 per cent tariff; we put ours upon the free list. Only the competition of the Standard Oil Company, through the immense economies it has developed, of which the smaller concerns now have the benefit, keeps Russian oil out of the American market. That company furnishes an unlimited cash market for every barrel of petroleum that it produces in this country. Moreover, it gives employment to 35,000 American laborers, pays \$100,000 a day in wages, and exports, in competition with Russia, into Europe and Asia, nearly 1,000,000,000 gallons of oil a year, bringing about \$60,000,000 in gold into the country. In 1863 oil was 30 7.10 cents a gallon; in 1898 it was 5 7.10 cents. Here is an industry, all told, which furnishes employment to about 45,000 American laborers, paying about \$125,000 a day in wages, bringing a balance of \$60,000,000 of gold a year into the country, all of which would be lost to this country but for the economic energy and superiority of the Standard Oil Company. Small refineries, such as those now outside the Standard, could not hold the American market a month in competition with the Russians."

take advantage of this protection for monopolistic price-raising purposes, they should at once be thrown on their own competitive resources. This would be in harmony with strictly economic policy, and might have a wholesome effect upon the movement of trust organization."

What of the universal trust? "It is nearly impossible for one mind to be supremely expert in three or four different fields, and this simple limitation of human capacity prohibits the universal trust."

"The owners of capitalistic productive interests have absolutely no claim upon the public consideration on any other grounds than efficiency of service to the public, as creators of wealth. Capital should be regarded as a tool, and as a tool only, and the use of any tool is justifiable only as long as it will do its work as well as or better than other tools that are available."

EDWARD ROSEWATER.

(Editor, "Omaha Bee.")

A Proposed System for the Restriction and Regulation of Trusts.

At the Chicago Conference on Trusts, September, 1899, Edward Rosewater, editor of the Omaha "Bee," proposed the following: (1) The creation by act of Congress of a bureau of supervision and control of corporations engaged in interstate commerce with powers for its chief similar to those exercised by the Comptroller of the Currency over national banks.

(2.) Legislation to enforce such publicity as will effectually prevent dishonest methods of accounting and restrict traffic and competition within legitimate bounds.

(3.) The abrogation of all patents and copyrights held by trusts whenever the fact is established before a judicial tribunal that any branch of industry has been monopolized by the holders of such patents or copyrights.

(4.) The enactment by Congress of a law that will compel every corporation engaged in interstate commerce to operate under a national charter that shall be abrogated whenever such corporation violates its provision.

(5.) The creation of an interstate commerce court with exclusive jurisdiction in all cases arising out of the violation of interstate commerce laws.

(6.) The revision of the constitution of the United States by a constitutional convention to be called by two-thirds of the states at the earliest possible date.

Mr. Rosewater prefers a constitutional convention to an amendment to the constitution, because he believes two-thirds of the states would order such a convention sooner than an amendment proposed by Congress would pass the ordeal of a two-thirds vote in the United States Senate, so long as its members are not elected directly by the people.

W. BOURKE COCKRAN.

"If Government Tries to Enrich One It Must Take From Another. If It Has a Favorite It Has a Victim."

Condensed from the address of W. Bourke Cockran, before the Chicago Conference on Trusts, September, 1899:

Prosperity is an abundance of commodities fairly distributed among producers. Any industrial organization is commendable which swells the volume of production. An industry flourishing through government aid, direct or indirect, cannot be a force to lower prices, because if it could dominate the market by underselling competitors in a free and open field it would not need government aid. The prosperity of an enterprise enjoying government favor depends not on the excellence of its service, but the inability of the people to purchase elsewhere. Such a corporation operates only to restrict production with a larger volume of profit.

In this country government interferes in three ways with the trade of individuals: by patent laws, by a protective tariff, and by public franchises granted corporations composed of private individuals. "No person can enjoy a favor at the hands of any company exercising a public franchise except at the expense of another. Government cannot at one and the same time be a fountain of generosity and of justice." Government cannot create anything, therefore it has nothing of its own to bestow. If it tries to enrich one it must take from another. If it has a favorite it has a victim. Only when government is absolutely impartial is it always just and always generous. If one shipper gets rates at less than cost, another shipper must make good that loss.

We have a law prohibiting special privileges. How shall we enforce it? By a statute entitling every person using a public franchise to have disclosed to him every contract or agreement with any person for a similar service, and declaring the grant of a special rate by a corporation a felony punishable by long imprisonment. Discrimination in rates for a public service is a crime of the first magnitude. Publicity of corporate proceedings would do more than prevention of discrimination in rates.

The nominal capitalization of an enterprise is a matter of little moment. If an enterprise earning ten thousand dollars a year is capitalized at one hundred thousand dollars, the stock would probably sell at two hundred; if it were capitalized at four hundred thousand dollars, the shares would sell at fifty. In either case, the actual value of the stock would be two hundred thousand dollars. That value is established not by the rate of capitalization, but by the opinion of the public, and that value would remain undisturbed no matter what the nominal capitalization might be. A high rate of capitalization even of a corporation using a public franchise is not necessarily a public injury. If the Western Union Telegraph Company reduced its rates, doubled its business, and increased its capitalization that would be one thing, but if it tried to swell its profits by increasing rates then its capitalization would be another matter, and we should all interfere. The idea that high capitalization forces corporations to excessive rates is erroneous. Whatever its capitalization a corporation is after the greatest profits. The rate of capitalization does not affect the cost of the product, and in no way touches the consumer. It is a matter between stockholders, between parties, in which the community has no interest. But this theory of course is declared on the assumption that the public has been candidly treated and the capitalized property been truthfully described. For fraudulent overcapitalization prescribe publicity, publicity, publicity.

The corporation is the natural evolution of the partnership. By it many strangers may co-operate; by it a man may engage in many enterprises, whereas the liabilities and conditions of partnership are such that few men could afford to be concerned in more than one. Every device which facilitates the industrial coöperation of men promotes the volume of production. "Corporations possess enormous capacity for swelling the tide of human prosperity, and they have promoted the well-being of every community in which they have been encouraged, in spite of the fact that the management of corporations has been the blackest page in all our history. What we punish as corruption in politics we are inclined to encourage as talent in finance." Corporate abuse originates in secrecy, is developed in secrecy, and is maintained in secrecy. Special favors could never be granted in the light of day. Secrecy being the source of evil, publicity is its natural antidote. By secrecy stockholders have been quite as extensively robbed as the people have been oppressed. The final argument for publicity as a remedy for corporate misconduct is its simplicity. It does not mean new laws, but more efficient machinery to get the good out of existing laws.

Knowledge of the terms of service of a public facility should be common to everybody.

A stockholder should have the right to know every detail of

the business of his corporation. If a corporation wants but a few stockholders let it cut up its stocks into large blocks of shares.

Every corporation should explain the basis of its capitalization in a statement filed with the secretary of state.

The law that is evaded should be enforced that corporations should make full annual and comprehensive reports to some department of state.

The powers now exercised in almost every state by the departments of insurance and banking should be extended to the scrutiny of every corporation; and to the institution of criminal proceedings when called for.

Where the above provisions are violated or disregarded the punishment should be long imprisonment. Fines sit too easily, and may afterwards be collected from the public. "In prescribing the limits of publicity a distinction must be observed between corporations which enjoy no favor from the state, except the right to do business under corporate forms, and those specially chartered to perform public functions. To compel a private corporation to disclose its processes of manufacture would be to confiscate its property. The methods by which such a corporation conducts its business concerns itself alone; the results of its business, that is to say, the nature and extent of its property, concerns the public; they should be disclosed so that the people to whom its shares are offered could form an intelligent judgment of their value. Corporations exercising public functions should have no secrets whatever. They are public agencies. Every feature of their possessions, every detail of their administration should be public property."

No organization doing business in this country without government favor can fairly be called a monopoly. "Some industries dominate the market through the merit of their products established by free competition, while others control it with products of inferior merit through government favor. Any industry maintaining a domination or monopoly of the market by the aid of government, direct or indirect, whether extended through favors granted by corporations exercising public franchises or through tariff laws, is necessarily an oppressive monopoly, because if it could flourish beyond all others through the excellency of its service, it would not need government favor and would not accept it. For the same reason that free competition leads to the domination of the best, restricted competition leads to the domination of the baser, if not of the basest." A corporation like the Standard Oil Company, supplying 62 per cent of the oil used in this country, would be better described as a dominating industrial enterprise than as a monopoly. Who sells cheapest must dominate, for in economics the domination of the cheapest is the survival of the fittest. Free competition develops excellence. Excellence is monopoly. If it were not it would not be excellence. "If the man who

prevails in the competition is not allowed to enjoy the fruit of his victory, that is to say, the control of the market, he will not compete; nobody else will, and then there will be no competition whatever." "The same enlightened sense of interest that impels us to defend monopoly based upon excellence, should lead us to overthrow monopoly based upon favor, because while free competition leads to the domination of the best, restricted competition develops the domination of the baser, if not of the basest.

It is said combination displaces labor. To this there are two answers. First, it is not true, because production has never been increased without increasing the number of workers; and, second, if it were true the hardship of the few should not prevent an industrial development of great benefit to the many. If we are to suppress monopoly resting on excellence then we must suppress the excellence which establishes it, and then we arrest all human improvement.

The infallible test of prosperity is the rate of wages paid to labor. The more the laborer produces the greater the fund from which he draws his compensation. Those industries are most prosperous in which the highest rate of wages prevail. There cannot be abundant production of commodities without an extensive distribution in the form of wages. As it is impossible to increase profits, and at the same time lower the price of a product in any other way than by increasing the volume of production, and as an increase in the volume of production must increase the rate of wages, all industrial combinations which operate to lower prices, or in other words, those which flourish through excellence are powerful forces to promote the general prosperity."

Labor unions have no direct effect whatever upon the rate of wages. Unions do indeed promote intercourse between employer and employe, and they help to maintain industrial peace, and, therefore, industrial efficiency; but the rate of wages depends not upon agreements and concessions. It is fixed by an immutable law. The wages of the laborer depend upon the value of his product, and upon nothing else. The employer cannot pay the laborer more than the value of his product and he cannot pay him less. And the value of the laborer's product depends upon the laborer's efficiency.

"The standard of wages then is fixed by two forces acting on each other; the competition of laborers for employment, operating to make wages lower, and the competition of capital for profit operating to make wages higher. The competition of capital for profit is keener than the competition of laborers for employment, because it is easier and cheaper for capital to move from place to place in search of higher profit than for a laborer to seek a field of higher wages. The competition of capital for profit being keener than the competition of laborers for employment, the force which operates to advance wages is stronger than that which oper-

ates to lower them; the result is a steady rise in the rate of wages, and a steady fall in the rate of interest. The whole history of the world shows that the productive capacity of man is practically limitless. It has increased from day to day. It is greater now than it was a year ago. It is probably ten times greater at the close than it was at the beginning of this century. In the course of the next century it is likely to grow beyond our capacity to conceive at this moment. Wages have never increased except as production has increased. An increase in wages is but the distribution of an increased production. A reduction of wages is the distribution of a diminished production. Employer and employe cannot prosper separately, or at the expense of each other. The prosperity of each flows from the same fountain. The rate of wages cannot be increased at the expense of capital, and the profits of capital cannot be swelled at the expense of wages, but the prosperity of both can be increased by an increase in the yield of human industry and the division of that increase between them." Why, then, should the two parties be at war?

BIRD S. COLER.

(Comptroller, City of New York.)

**"Any Combination Having Charter Rights and Organized for
Legitimate Business Has Nothing to Fear from
Quasi-State Control."**

Bird S. Coler, Comptroller of the City of New York, published his views a few months since, and they were quoted in Congress June 1, 1900, the day the proposed amendment to the constitution failed of passage. Mr. Coler made these points:

"Whatever the state creates it should either supervise or control. Every corporation should have a definite period of existence, and the right of renewal should rest with the state and not with those in interest. Business that requires secrecy of management and manipulation of securities is not entitled to the protection of the state and should be refused corporate powers.

"No corporation should be allowed to issue securities except for actual value, and these should not be placed upon the public market until the end at least of one actual business year, and then only after public reports by certified accountants under employment of the state and bearing its seal.

"The commercialism in politics and the corruption of legislatures by these concerns that threaten the existence of free government will receive a most serious blow through this system. The disbursement of stock and money for so-called legal expenses can be readily shown. Publicity of disbursements for such purposes is the surest remedy.

"Places of business and location of factories should be named at time of incorporation, and no removal of same should be allowed without consent of the state. This to prevent the destruction of communities and for the protection of employes who have invested their savings in homes contiguous to factories, and in many cases upon the recommendation of employers.

"The existence of a corporation is prima facie evidence of the grant of special powers and privileges that are not enjoyed by the people as individuals. Companies are formed and charters obtained in order that a combination may do something that cannot be done by one citizen working alone.

"The same power that creates the privilege by the grant of a charter to a number of persons to do business with advantage over the individual is in duty bound to protect the rights of those who have not received similar favors, that all may enjoy the equal rights guaranteed by the constitution of the nation and the organic laws of the states.

"From its beginning the accounts of every corporation obtaining a charter privilege from a state government should be open at all times to examination and regulation by properly appointed public officers.

"If such corporations receive charters conferring exceptional privileges, such grants become a part of their assets or capital and give them a financial and commercial standing in the business world, amounting to an advantage over each and every individual competitor. They have obtained a privilege that enables them to bid for the surplus capital of the public by the offer of interest-bearing securities. The government, having made it possible for a few citizens to obtain the capital of the many for investment, should exert all its power to protect that capital and confine the use of it to legitimate business and the employment of labor.

"It may be urged that such a system would extend the functions of state government to the regulation of private business. If that be so, no business that requires secret manipulation should receive the privileges of a charter from the people. The United States government charters national banks, reserving the right to inspect the methods and examine into the condition of such institutions at any time. This system has never been classed as usurpation of extraordinary functions of government, nor has it retarded the proper and safe development of the banking business. The state of New York has for many years exercised, without question, the right to license and examine the business of life, fire and marine insurance. Depositors rely upon the state wholly for protection of savings banks.

"Every chartered corporation that offers its securities to the people as an investment becomes a semi-public institution, and should be inspected and regulated by the same power that created it.

"Under existing conditions there is no safety and little protection for outside investors who buy the securities of great corporations. They must trust largely to the reputation of a company or that of its officers, and recent events in Wall street show how confidence is often misplaced and abused.

"Our present system of laws puts a premium upon stock jobbing. Recent developments in trust stocks put emphatic emphasis on this danger, so long pointed out by political economists. We have had many instances of late where officials of trusts, holding only a small interest, have run the business of their concerns in the interest of stock speculation instead of legitimate development. Mills have been shut down and men thrown out of work simply to affect prices on the exchange.

"The encroachment of these great combinations on constitutional rights, their disregard of the plainest dictates of commercial honor and their ruthless violation of the vested rights of labor in their grasping for monopolistic advantage make it imperative that measures shall be inaugurated to correct the evil.

"Irresponsible cliques of individuals, for selfish ends and by doubtful methods, have secretly grasped chartered rights, and, by juggling manipulation of stocks and bonds in their merciless pursuit of gain, brought commercial ruin to thousands. The aggregation of their combined interests threaten the existence of free government. They dread more than anything the light of day, knowing publicity would be their downfall. They pursue their designs secretly. The vast fortunes thus acquired are largely—in fact, almost entirely—due to their corrupt control of legislatures. The sworn representatives of the people themselves, in state and municipal bodies, have venally yielded to them, one by one, the people's rights. The power thus obtained has been used solely to augment the fortunes of a few insiders and their political allies. It is not the enormous size of these fortunes, but the fact that they were dishonorably obtained, that has proved a demoralizing example to our youth and a menace to our institutions.

"Any combination that has sought and secured by incorporation the advantage of charter rights and is organized for legitimate purposes has nothing to fear from quasi state control. The sovereign states of the Union, each for itself and each for all, recognizing the gravity of the evil that threatens all alike, and honestly seeking a remedy, will solve this difficulty.

"Uniform laws compelling publicity of important matters of management, frequent examinations by state officials prescribing honest systems of keeping accounts, and such other restrictions as exigencies may require for the good of all, including the protection of such communities as have been built up by the establishment of business concerns and the forbidding of their abandonment without the consent of the state authorities and for adequate reasons shown, should be immediately enacted throughout the Union. Such action will go far to, if it does not absolutely destroy, the power of such combination to work further injury. It will simplify taxation and nullify attempts at its evasion.

"The abuse of the privileges derived from the people by these favored combines merits severe punishment, and necessary legislation for such purpose is clearly within the scope of the legislative power of the state. The opinion that Congress is powerless to remedy this evil without constitutional change is generally conceded, but the right of the sovereign state in the premises is unquestioned. The different sections of our country having varying industries, such as cotton and its products in the South, know best how to control them."

THE MAN BEHIND THE TRUST.

"Not in Five Per Cent of the Trusts Perfected Has the Movement Originated With Solvent Manufacturers."

Condensed from "Trusts or Competition," by General A. B. Nettleton, former Assistant Secretary of the Treasury; Chicago, 1900.

In the conditions of prosperity following the elections of 1896 came the survival of financial confidence that succeeded a long season of commercial dry-rot and pessimism. Vast capital competed for securities put out through respectable banking channels. The investing public was utterly omniverous. In this situation the promoters saw a fruitful field for industrial consolidations, provided, however, the leading banks and trust companies would undertake and market the securities of the proposed consolidations, and the owners of plants would merge them in trusts. The promoters, each studying his own line of manufacture, found the banks ready for this line of business if on a satisfactory basis, and then they went among the manufacturers. Some entire industries refused. Many others yielded, convinced of "the overshadowing financial value of the monopoly of production and sale. Without this feature of monopoly there would have been no visitation by a manufacturing or trading company, such as above stated, the promoter, no waste of time by the manufacturers, and no talk about trusts." Negotiations were conditioned upon the promoters getting the cooperation of at least 85 to 90 per cent, in producing capacity, of the manufacturers. With this preponderance of control the trust could force the minority to come in or retire from business, or could leave them to keep up a show of competition, and mislead the public as to the trust's monopoly.

Plants were overvalued and capital inflated. Why? Because the promoter, not buying for himself, and pressed to consummate his plans lest they collapse, conceded to the manufacturer his own terms. "With the manufacturer who becomes the owner of trust stocks or bonds, with the bankers who finance these undertakings, and with the investing public which buys these securities with both eyes shut, the uppermost thought is that the perpetual

monopoly, the freedom from competition, will enable the trust to pay satisfactory dividends on any capitalization it chooses to adopt." Not in five per cent of the trusts perfected has the movement originated with solvent manufacturers.

General Nettleton here quotes James B. Dill, who has framed the charters of several of the great industrials, and aided in framing the present New Jersey statute on corporations. Mr. Dill in speaking of honest trusts reasonably capitalized, and dishonest trusts overcapitalized, says:

"The evils of these dishonest corporations arise in the methods followed by the promoters. Suppose, for instance, some promoter conceives the idea of consolidating the plants engaged in a certain line of manufacturing. He goes to the owners of the plants and gets options. He needs money, so he goes to some bank and lays the options before them, with a proposition to finance the combination. Say, for example, that the plants are worth \$5,000,000. He would demand \$500,000 for his options, and a half of the profits. If the bank agrees the promoter goes to the owners of the plants and tells them that he can pay them a quarter of their value in cash and the remainder in preferred stock, but as a special inducement he offers them a like amount of common stock. By this deal the capitalization is doubled, and becomes \$10,000,000. But this would leave nothing for the bank which is financing the deal, so the bank must again double the capital in order to give a proper margin. But the stock of such a corporation will sell only from 40 to 60 cents on the dollar when placed on the market, so another \$10,000,000 is added, and the capital stock becomes \$30,000,000, while the actual value is \$5,000,000. Then the promoter and the bank quietly sell their stock for what it will bring, and the corporation is left in the hands of the stockholders with immense fixed charges to pay on watered stock. Reduction in wages follows, which means a corresponding reduction in the quality of the article manufactured, prices are advanced as far as possible, and

The following incident is within the knowledge of the editor of this handbook: There is a partnership concern in a certain city in New York state. It is the largest in its line in that city and also in the United States. It makes staples—articles of universal consumption. For two years certain New York promoters have tried to persuade the senior partner to form a trust in his industry—capitalization, \$20,000,000. Not long ago the leading junior partner was called to a conference in New York with the persistent promoters. To his astonishment and indignation he was offered from \$300,000 to \$400,000 in stock of the proposed trust if he would get his old-fashioned chief to establish the combination. The bribery, or whatsoever more diplomatic term characterized the proposition in promoters' parlance, was at once reported to the senior partner and associates. The trust, to say the least, is no nearer organization than before the revelations, which the high personal and commercial honor of the leading junior partner impelled him promptly to make to his fellow members.

the corporation struggles on until failure and reorganization take place after immense losses to stockholders and employees.

"General Nettleton, denying that competition is a failure, comes to these conclusions.

"1. The trust system of today did not originate with the men who alone could have a legitimate interest in launching such a movement because it might improve and cheapen production—the owners of manufactories.

"2. The four classes of citizens who have contributed to the surprising result, the first two actively and the last two passively, are shown to be: (1) The promoters, whose sole motive has been the large commission or profits for transient service in bringing about the several consolidations. Not one has or wishes to have any interest in the permanent economic questions affecting productive industries. (2) Certain eastern bankers, whose sole motive has been the still larger profits and commissions resulting from capitalizing the trusts and selling trust securities to investors who largely rely on their judgment and recommendation. Not one of these bankers but would smile in private at the suggestion that his activity, agency and profits as a trust promoter formed part of an 'orderly economic evolution.' (3) The manufacturers, whose motives have varied according to their condition. Those in financial distress have welcomed the trust as an escape from bankruptcy. Those who were offered twice the value of their plants needed no other motive. Those who wished to remain in the business of a lifetime, but apprehended the club of the trust if they held out, yielded to their fears and sought consolation in cash, bonds, stocks and retirement. Those who accepted influential positions in the management of trust affairs, in addition to other satisfactory terms, required no other inducement. Not one manufacturer, so far as heard from, considered himself as yielding to an economic evolution which relentlessly urged him and his fellows on to 'still larger aggregations of capital, labor and effort.' (4) Finally, the investors, who simply knew that they wanted in large amounts securities which leading bankers and brokers represented as being both safe and profitable; who made no investigation for themselves as to the real assets owned by, or the absurd overcapitalization of, the companies whose bonds and stocks they eagerly absorbed, and who had the vague notion that the monopoly advantage of the trusts would offset any degree of inflation."

ARTHUR T. HADLEY.

(President Yale University.)

**"There Is No Better Evidence of the Strength of the Tendency
Toward Consolidation Than Is Furnished by the Multi-
tude of Unenforced Laws and Decisions
Intended to Prevent It."**

Condensed from Arthur T. Hadley on "The Formation and Control of Trusts," in "Scribners," November, 1899:

In 1898 the new companies formed in the United States for industrial consolidation had a capital of over \$900,000,000. In the earlier half of 1899 the capital of the new companies was \$3,100,000,000. Compare the history of railroad investments. Even in 1897, conspicuous in railroad history, the new capital used in building 13,000 miles of line can hardly have reached \$700,000,000. In the whole period of rapid expansion from 1879 to 1882 the volume of new railroad securities issued did not equal the industrial issues of this single half year alone.

This movement is not likely to continue at its present rate, because a majority of the issues represent not new capital but a conversion of old. "In no small part of these enterprises the financial motive of rendering the securities marketable is at present more prominent than the industrial motive of rendering the operations of the consolidated company efficient."

The consolidation of industries, for whose securities there was previously but a local support, made the capitalization of the new companies a matter in which investors at large became interested. The buying of industrial securities became a fashion, but fashions have their limits. The vogue for industrial investment even now wanes, some of the companies formed in 1899 being able to do little more than dispose of their bonds. Reaction has taken place more than once in the economic history of the nineteenth century. Over speculation in English railroads in 1844, in American railroads in 1873, in produce warrants in 1881, in car trusts in 1886 almost absolutely stopped the issue of what had seemed an important form of investment.

It is pleaded for consolidation that it avoids unnecessary expense in distribution, and can adapt the amount of production to

the needs of consumption. These claims represent possible rather than actual achievement. But as long as it is possible for a well-managed consolidation to do better work than under free competition so long will the combination movement continue. The difficulty of finding men to manage the largest of these enterprises is the greatest bar to their success. The manager of a great consolidation, who formerly sold at competitive prices in the open market, must now for himself decide what the market will bear. Here is needed great foresight and self-restraint and but few men in such a place have been found to possess them. The ability to handle any trust, industrial and otherwise, is the result of a long process of legal and moral education. We cannot make a law which shall permit the right exercise of a discretionary power and prohibit its wrong exercise.

To make matters move in the right direction at least three points must be kept in view: (1) Increased responsibility on the part of boards of directors. (2) A change in the legal character of the labor contract. (3) An increased care in the imposition of high import duties.

It is quite possible that many of these enterprises will pass into government ownership in the immediate future; but it is highly improbable that this tendency toward consolidation is increasing the dangers of a conflict between individualists and socialists.

So far as the present movement for consolidation is to sell securities it will be short lived; so far as it is to secure economy it will be permanent.

On President Hadley's visit to the West, in the winter of 1899-1900, he was reported as recommending social ostracism for such as misused great corporate power. The editor of this handbook afterward asked President Hadley the intent of his idea, and, by letter, received this reply: "The alleged newspaper quotations from what I said on my western trip would, I fear, result in misrepresenting my position more than in explaining it. The sum and substance of what I really did say was that legislation against trusts was not likely to be of any use until the public sentiment of the community was sufficiently clear and united to employ social penalties as well as legal ones."

HENRY WADE ROGERS.*

"Corporations Should Be Prevented by the Most Stringent Legislation from Contributing to Campaign Funds."

"Corporations should be prohibited by law from contributing directly or indirectly a single dollar to any campaign fund. The power of the boss in American politics, of such men as Croker and Platt in New York, rests in the main upon the money which he receives under the guise of campaign contributions. This money the boss uses to elect a legislature that will carry out his wishes and in return the contributors are guaranteed that they shall not suffer from hostile legislation. Government by the people falls little short of breaking down when the legislature of a state becomes the representative of the boss rather than of the people. The evil is one of gigantic proportions, and one that is destructive of all good government. It must be prevented if government by the people is to succeed. Most of the money which the boss receives comes from the corporations, and it is through these contributions that they secure immunity. For that reason they should be prevented by the most stringent legislation from contributing money to campaign funds.

"Railroads must be deprived of the power to discriminate in rates for carrying freight. The possession of that power enables them to crush the small producer and to build up monopoly. No corporation of any kind should be allowed to make discriminating prices, to sell its goods below cost in one field while selling them at higher prices in other fields. That power is exercised to destroy competition and to build up monopoly. Monopolies cannot be tolerated. They do not promote the public good, but on the contrary are a positive detriment to the public welfare. They are unquestionably a great and intolerable evil, one which works to the disadvantage of society, and from which

*Dr. Henry Wade Rogers, for ten years president of Northwestern University, resigned the presidency July 15, 1900. In the fall he will take the chair of law in Yale University. Developing a thought expressed in a late public speech, Dr. Rogers has contributed the above at the editor's request.

society should be free. The people will insist and ought to insist that they be crushed out.

"Trusts are generally established for monopolistic purposes and for that reason are inimical to the general welfare. They seek to get control of the particular business in which they are engaged, to eliminate competition and to fix the price of products without regard to cost of production. When a trust seeks to do this it becomes harmful and makes necessary legislation which shall make it impossible for that kind of a trust to do business."

APPENDIX.

XXIX.

PROPOSED CONSTITUTIONAL AMENDMENT.

This Measure Failed to Pass the House of Representatives for Want of Democratic Support.

In the House of Representatives, Jan. 26, 1900, there was introduced by Mr. Jenkins, of Wisconsin, the following joint resolution, proposing an amendment to the constitution of the United States, giving Congress additional power to regulate or destroy trusts. This resolution was put upon its passage June 1, 1900, and receiving 154 votes for it, and 132 against it, and therefore failing of the two-thirds vote necessary for its adoption, failed to pass. Eleven congressmen answered "present," and 56 did not vote.

"Joint resolution proposing an amendment to the constitution of the United States conferring power on Congress to define, regulate, prohibit, and dissolve trusts, and so forth: Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article be proposed to the legislatures of the several states as an amendment to the constitution of the United States.

"SECTION 1. All powers conferred by this article shall extend to the several states, the territories, the District of Columbia, and all territory under the sovereignty of and subject to the jurisdiction the United States.

"SECTION 2. Congress shall have power to define, regulate, control, prohibit, or dissolve trusts, monopolies, or combinations, whether existing in the form of a corporation or otherwise.

"The several states may continue to exercise such power in any manner not in conflict with the laws of the United States.

"SECTION 3. Congress shall have power to enforce the provisions of this article by appropriate legislation."

PROPOSED AMENDED SHERMAN ANTI-TRUST ACT.

**This Measure Passed the House of Representatives by the
Vote of Both Parties.**

The following act, now in the hands of the judiciary committee of the Senate, was passed by the House of Representatives, June 2, 1900, by a vote of 274 to 1. Seven congressmen answered "present;" seventy did not vote. The one negative vote, so cast on legal grounds, was Mann, Illinois, Republican:

The act is entitled

"An act to amend an act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

The act is as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled:

"SECTION 1. That the act approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," be, and same hereby is, amended as follows:

"Section 1 of said act is hereby amended so as to read as follows:

"SECTION 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a crime, and, on conviction thereof, shall be punished by a fine of not less than five hundred dollars and not exceeding five thousand dollars, and by imprisonment not less than six months and not exceeding two years."

"SEC. 2. Section 2 of said act is hereby amended so as to read as follows:

"SEC. 2. Every person who shall monopolize, or attempt to monopolize or combine or conspire with any person or persons to monopolize, any part of the trade or commerce among the

several states or with foreign nations shall be deemed guilty of a crime, and, on conviction thereof, shall be punished by a fine not less than five hundred dollars and not exceeding five thousand dollars, and by imprisonment not less than six months and not exceeding two years."

"SEC. 3. Section 3 of said act is hereby amended so as to read as follows:

"SEC. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such territory and another, or between any such territory or territories and any state or states or the District of Columbia, or with foreign nations, or between the District of Columbia and any state or states or foreign nations, is hereby declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a crime, and, on conviction thereof, shall be punished by fine not less than five hundred dollars and not exceeding five thousand dollars, and by imprisonment not less than six months and not exceeding two years."

"SEC. 4. Section 7 of said act is hereby amended so as to read as follows:

"SEC. 7. Any person who shall be injured in his business or property by any person or corporation by reason of anything forbidden or declared to be unlawful by this act may sue therefor in any circuit court of the United States in the district in which the defendant resides or is found, without respect to the amount in controversy, and shall recover three-fold the damages by him sustained, provided the minimum sum recovered shall not be less in any case than two hundred and fifty dollars, and the cost of suit, including a reasonable attorney's fee."

"SEC. 5. Section 8 of said act is hereby amended so as to read as follows:

"SEC. 8. That the word "person," or "persons," wherever used in this act, shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of the territories, the laws of any state, or the laws of any foreign country, and the agents, officers, and attorneys of said corporations and associations."

SEC. 6. That said act is also hereby further amended by adding thereto the following new sections, which shall constitute sections nine, ten, eleven, twelve and thirteen of said act approved July 2, 1890, namely:

"SEC. 9. That every corporation, association, joint stock company or partnership doing business in any state of the United States, or in any territory belonging thereto, or in the District of Columbia, producing, manufacturing, or dealing in any article

of commerce, when organized, formed, managed, or carrying on business for the purpose of controlling or monopolizing the manufacture, production, or sale of any such article of commerce, or for the purpose of increasing or decreasing the cost of such article of commerce to the user or consumer thereof for the purpose of preventing competition in the manufacture, production, or sale thereof, is, for the purposes of this act, hereby declared to be illegal, and may be proceeded against at the suit of any person or persons or corporation or association, or by and in behalf of the United States, and perpetually enjoined and restrained from doing or carrying on any interstate or foreign commerce whatever, either with the states or the territories of the United States or the District of Columbia, or any foreign country, and, if adjudged illegal within the meaning of this act, it and its officers and the members of such association, joint stock company, or partnership shall be, and hereby are, forbidden and prohibited the use of the mails of the United States in aid or furtherance of any such business or purposes; and no article of commerce produced, or manufactured, or owned and dealt in by any such corporation, association, joint stock company, or partnership so organized, formed, managed, or carrying on business shall be transported or carried without the state or territory in which produced or manufactured, or in which same may be, or without the District of Columbia if produced, manufactured, or found therein by any individual, corporation, or common carrier in any manner whatever. All such articles of commerce shipped in violation of the provisions of this act shall be forfeited to the United States, and may be seized by any marshal or deputy marshal of the United States, or by any person duly authorized by law to make such seizure, and when so seized shall be condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law: Provided, however, That such articles of commerce may be so carried or transported for the use of the consignor or consignee.

"SEC. 10. That any common carrier or transportation company which shall knowingly transport any property described in sections six or nine of this act from one state to another, from a state or a territory to a territory, or to the District of Columbia, or to a foreign country, or from the District of Columbia to a state, or to a territory, or to any foreign country, shall be subject to a penalty of not less than five hundred dollars nor more than five thousand dollars, to be recovered by the United States in an action brought in any court of the United States having jurisdiction thereof, and which suit may be brought in any district in which such corporation, association, joint stock company, common carrier, or transportation company mentioned in this act has an

office or conducts business; and any person or any officer, agent, manager, or attorney of any such corporation, association, joint stock company, common carrier, or transportation company who shall knowingly receive for transportation or transport, or aid in transporting any property described in sections six or nine of this act from one state to another, or from a state or a territory to a territory, or to the District of Columbia, or to a foreign country, or from the District of Columbia to a state or to a territory shall be deemed guilty of a misdemeanor, and, on conviction, shall be punished by a fine of not less than five hundred dollars nor more than five thousand dollars, and by imprisonment not less than thirty days nor more than six months.

"SEC. 11. That in all prosecutions, hearings, and proceedings under the provisions of this act, whether civil or criminal, no person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and documents before the courts of the United States or the commissioners thereof, or in obedience to the subpoena of said courts or commissioners on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify, or produce evidence, documentary or otherwise, before said courts or commissioners, or in obedience to its subpoena or the subpoena of either of them or in any such case or proceeding.

"SEC. 12. That the several district and circuit courts of the United States and the courts of the District of Columbia and of the several territories of the United States are hereby vested with and given jurisdiction, within their respective jurisdictions as now prescribed by law, of all actions and proceedings, both civil and criminal, in law and in equity, necessary for the enforcement of this act; and it shall be the duty of the attorney-general of the United States and of the several district attorneys of the United States within their respective districts to cause all persons, corporations, or associations violating or failing to comply with any of the provisions of this act to be promptly prosecuted therefor, and to enforce all of the penalties imposed by this act.

"SEC. 13. That any civil or criminal proceeding or prosecution authorized under this act in the name of or in behalf of the United States, or otherwise, may be begun and prosecuted by any person, firm, corporation, or association, or by any officer of the United States, in the name of and on behalf of the United States."

"SEC. 7. That nothing in this act shall be so construed as to apply to trade unions or other labor organizations, organized for

the purpose of regulating wages, hours of labor, or other conditions under which labor is to be performed. This act shall take and be in effect from and after June 30, 1900."

* * * * *

"If we are to agree with competent economists in asserting that the trusts have possibilities of good as well as evil, it becomes necessary to ask what is the nature of the evil, and what remedy, if any, exists without bestowing this wide and dangerous power on Congress. The answer to this question is, that the three conceded evils which may arise are: First, overcapitalization of such an enterprise; second, failure to find competent management for so large an undertaking; and, third, the artificial raising of prices through monopoly. Over the first of these two possible evils Congress can obviously exercise no control. The last named possibility most frequently present in the minds of possible legislators, finds its remedy in nine cases out of ten in the markets themselves. And, if in a conceivable but highly improbable emergency, the market can actually be forestalled and cornered, without destroying the very trade sought by the combination, then we do not hesitate to assert that recourse may be had to the common law, whose principles and precedents on this question are abundantly sufficient. That the existing powers of the courts have not yet been invoked is, in our judgement, proof not that the remedy is unobtainable, but that the evil has either found its settlement automatically in the market or is itself imaginary."—"Commercial and Financial Chronicle" (New York), May 26, 1900.

THE SUPREME COURT ON MONOPOLY.

**"It Is Not for the Interests of the Country That Any One
Commodity Should Be Within the Sole Power of One
Powerful Combination of Capital."**

Justice Peckham, presenting the opinion of the United States Supreme Court, in the case of the United States vs. The Trans-Missouri Freight Association, March 22, 1897, expressed these views about the social and ethical influence of trusts. They may, in general, be said to be the views of the average American about the same question:

"It is true the results of trusts or combinations of that nature may be different in different kinds of corporations, and yet they all have an essential similarity and have been induced by motives of individual or corporate aggrandizement as against the public interest. In business or trading combinations they may even temporarily, or, perhaps, permanently, reduce the price of the article traded in or manufactured, by reducing the expense inseparable from the running of many different companies for the same purpose. Trade or commerce under those circumstances may, nevertheless, be badly and unfortunately restrained by driving out of business the small dealers and worthy men whose lives have been spent therein and who might be unable to readjust themselves to their altered surroundings. Mere reduction in the price of the commodity dealt in might be dearly paid for by the ruin of such a class and the absorption of control over one commodity by an all powerful combination of capital. In any great and extended change in the manner or method of doing business it seems to be an inevitable necessity that distress and perhaps ruin, shall be its accompaniment, in regard to some of those who were engaged in the old methods. A change from stage coaches and canal boats to railroads threw at once a large number of men out of employment. Changes from hand labor to that of machinery, and from operating machinery by hand to the application of steam for such purpose, leave behind them, for the time, a number of men who must seek other avenues of livelihood. These

are misfortunes which seem to be the necessary accompaniment of all great industrial changes. It takes time to effect a readjustment of industrial life so that those who are thrown out of their old employment by reason of such changes as we have spoken of may find opportunities for labor in other departments than those to which they have been accustomed. It is a misfortune, but yet in such cases it seems to be the inevitable accompaniment of change and improvement. It is wholly different, however, when such changes are effected by combinations of capital, whose purpose in combining is to control the production or manufacture of any particular article in the market, and by such control dictate the price at which the article shall be sold—the effect being to drive out of business all the small dealers in the commodity, and to render the public subject to the decision of the combination as to what price shall be paid for the article. In this light it is not material that the price of any article may be lowered. It is in the power of the combination to raise it, and the result, in any event, is unfortunate for the country, by depriving it of the services of a large number of small, but independent dealers, who were familiar with the business, and who had spent their lives in it, and who have supported themselves and their families from the small profits realized therein. Whether they be able to find other avenues to earn their livelihood is not so material, because it is not for the real prosperity of any country that such changes should occur which result in transferring an independent business man, the head of his establishment, small though it might be, into a servant or agent of a corporation for selling the commodities which he once manufactured or dealt in—having no voice in shaping the business policy of the company and bound to obey orders issued by others. Nor is it for the substantial interests of the country that any one commodity should be within the sole power and subject to the sole will of one powerful combination of capital. Congress has, so far as its jurisdiction extends, prohibited all contracts or combinations in the form of trusts entered into for the purpose of restraining trade and commerce. The results naturally flowing from a trade or combination in restraint of trade or commerce when entered into by, while differing somewhat from, those which may follow a contract to keep up transportation rates by railroads are, nevertheless, of the same nature and kind, and the contracts themselves do not so far differ in their nature that they may not all be treated alike and be condemned in common. It is entirely appropriate, generally, to subject corporations or persons engaged in trading or manufacturing to different rules from those applicable to railroads in their transportation business, but when the evil to be remedied is similar in both kinds of corporations, such as contracts which are unquestionably in restraint of trade, we see no

reason why similar rules should not be promulgated in regard to both, and both be covered in the same statute by general language sufficiently broad to include them both. We see nothing either in contemporaneous history, in the legal situation of the time of the passage of the statute, in its legislative history, or in any general difference in the nature and kind of these trading or manufacturing companies from railroad companies, which would lead us to the conclusion that it cannot be supposed the legislature, in prohibiting the making of contracts in restraint of trade, intended to include railroads within the purview of that act."

See above case in "Laws and Decisions."

THE ADDYSTON CASE.

Congress Has No Power Over Combinations or Agreements Affecting Commerce Wholly Within a State.

In the case of the Addyston Pipe & Steel Company vs. the United States, decided by the supreme court of the United States, Dec. 4, 1899, the plaintiffs on appeal were the Addyston Pipe & Steel Company, of Cincinnati; Dennis Long & Company, Louisville; Howard-Harrison Iron Company, Bessemer, Ala.; Anniston Pipe & Foundry Company, Anniston, Ala.; South Pittsburg Pipe Works, South Pittsburg, Tenn.; Chattanooga Foundry & Pipe Works, Chattanooga.

Justice Peckham, delivering the opinion, in part said:

"Although the jurisdiction of Congress over commerce among the states is full and complete, it is not questioned that it has none over that which is wholly within a state, and therefore none over combinations or agreements so far as they relate to restraint of such trade or commerce. It does not acquire any jurisdiction over that part of a combination or agreement which relates to commerce wholly within a state, by reason of the fact that the combination also covers and regulates commerce which is interstate. The latter it can regulate, while the former is subject alone to the jurisdiction of the states. The combination herein described covers both commerce which is wholly within a state and also that which is interstate.

"In regard to such of these defendants as might reside and carry on business in the same state where the pipe provided for in any particular contract was to be delivered, the sale, transportation, and delivery of the pipe by them under that contract would be a transaction wholly within the state, and the statute would not be applicable to them in that case. They might make any combination they chose with reference to the proposed contract, although it should happen that some non-resident of the state eventually obtained it.

"The fact that the proposal called for the delivery of pipe in

See same case in "Laws and Decisions."

the same state where some of the defendants resided and carried on their business would be sufficient; so far as the act of Congress is concerned, to permit those defendants to combine as they might choose, in regard to the proposed contract for the delivery of the pipe, and that right would not be affected by the fact that the contract might be subsequently awarded to some one outside the state as the lowest bidder. In brief their right to combine in regard to a proposal for pipe deliverable in their own state could not be reached by the federal power derived from the commercial clause in the constitution.

"To the extent that the present decree includes in its scope the enjoining of defendant thus situated from combining in regard to contracts for selling pipe in their own state, it is modified, and limited to that portion of the combination or agreement which is interstate in its character. As thus modified, the decree is affirmed."

INDUSTRIAL COMMISSION.

Preliminary Report Submitted to Congress March 1, 1900, Giving Its Early Conclusions Respecting Trusts.

To the Senate and House of Representatives, Fifty-sixth Congress:

The Act of June 18, 1898, creating the Industrial Commission, authorizes it to 'report from time to time to the Congress of the United States.' As the subject of "trusts," or industrial combinations, seemed to be one upon which there was pressing demand for trustworthy information, your commission gave it early attention. Although we have examined sixty-two witnesses on trust topics, whose testimony is herewith submitted, our inquiry has been limited to eleven of the more prominent, but typical, combinations. This leaves quite a large field for further investigation, but the urgent demand for information leads us to submit what we have in hand at this time. As a result of our investigation of industrial combinations thus far, your commission are of the opinion that certain evils in connection with them should be checked by appropriate legislation. Experience proves that industrial combinations have become fixtures in our business life. Their power for evil should be destroyed and their means for good preserved. As a result of further investigation on our part, or of further development on the part of the combinations, it must be possible later to propose additional measures for relief without running the risk of increasing the evils. At present we propose the following, which, if severally adopted by the states, or so far as possible by the Federal government, we are confident will be of great service, and will not endanger business prosperity.

To prevent the organizers of corporations or industrial combinations from deceiving investors and the public, either through suppression of material facts or by making misleading statements, your commission recommends:

(a) That the promoters and organizers of corporations or industrial combinations which look to the public to purchase or deal in their stocks or securities should be required to furnish full de-

tails regarding the organization, the property, or services for which stocks or securities are to be issued, amount and kind of same, and all other material information necessary for safe and intelligent investment;

(b) That any prospectus or announcement of any kind soliciting subscriptions, which fails to make full disclosures as aforesaid, or which is false, should be deemed fraudulent, and the promoters, with their associates, held legally responsible;

(c) That the nature of the business of the corporation or industrial combination, all powers granted to directors and officers thereof, and all limitations upon them or upon the rights or powers of the members, should be required to be expressed in the certificate of incorporation, which instrument should be open to inspection by any investor.

The affairs of a corporation or industrial combination should be carried on, without detriment to the public, in the interest of its members, and under their lawful control. To this end the directors or trustees should be required:

(a) To report to the members thereof its financial condition in reasonable detail, verified by a competent auditor, at least once each year;

(b) To inform members regarding the method and conduct of business by granting them, under proper restrictions, access to records of directors' meetings, or otherwise:

(c) To provide for the use of members, before the annual meetings, lists of members, with their addresses, and their several holdings; and,

(d) To provide, in whatever other ways may be named in the certificate of incorporation, means whereby the members may prevent the misuse of their property by directors or trustees.

The larger corporations—the so-called trusts—should be required to publish annually a properly audited report, showing in reasonable detail their assets and liabilities, with profit or loss; such report and audit under oath to be subject to Government inspection. The purpose of such publicity is to encourage competition when profits become excessive, thus protecting consumers against too high prices and to guard the interests of employees by a knowledge of the financial condition of the business in which they are employed.

From the testimony given before the commission, and herewith submitted, it has been proved that, before the passage of

In the section on "The Railroads and the Trusts," in quotations from the report of the Interstate Commerce commission, will be found reference to the bill that failed to be passed amending the interstate commerce law. One of its provisions was that recommended in paragraph "b" above. It also appears that the Interstate Commerce commission will agree to pooling if it may fix the maximum rate.

the interstate commerce act, discriminating freight rates were frequently secured by large shippers. Other evidence herewith submitted by additional testimony which will be laid before the Congress shortly, seems to show that like discriminating favors are even now granted. Believing that these discriminations clearly tend toward the control of business by large combinations, your commission further recommend:

(a) That the Interstate Commerce commission be given authority not only to prescribe the methods of keeping accounts of the railroads and to demand reports in such details as it may require, but also to inspect and audit said accounts;

(b) That the interstate commerce law be so amended as to make the decision of the commission operative at a day fixed in the decisions and until reversed by the United States court, on appeal;

(c) That the Interstate Commerce commission be authorized to prescribe classifications of freight articles, and to make rules and regulations for freight transportation, throughout the United States; and,

(d) That penalties for violations of the interstate commerce act should be appropriate fines against the carrier, and not imprisonment of officials.

JAMES H. KYLE, Chairman.

BOIES PENROSE.

J. J. GARDNER (as to trusts).

*WM. LORIMER,

L. F. LIVINGSTON.

JNO. C. BELL.

THEO. OTJEN.

LEE MANTLE.

A. L. HARRIS.

ELLISON A. SMYTH.

JOHN M. FARQUHAR.

EUGENE D. CONGER.

THOMAS W. PHILLIPS.

C. J. HARRIS.

M. D. RATCHFORD.

JOHN L. KENNEDY.

**ALBERT CLARKE.

*Mr. Lorimer concurred as to industrial combinations, but withheld judgment on transportation corporations until testimony now preparing be submitted to Congress.

**Mr. Clarke held that rates fixed by the Interstate Commerce commission should not go into effect in case of appeal until affirmed by the court, and that trial on appeal should be expedited.

THE ILLINOIS ANTI-TRUST LAW OF 1893.

**Pronounced Unconstitutional, by United States Circuit Court,
on the Ground That It Contains Both Class and
Special Legislation.**

The Illinois anti-trust law of 1893 was declared unconstitutional by United States District Judge Kohlsaat in the United States Circuit Court, Northern District of Illinois, in an opinion delivered Jan. 29, 1900, in the case of the Union Sewer Pipe Company vs. Connelly.

The court held: First, That this statute contains both class and special legislation, and is in contravention of both the State and Federal constitutions, and therefore void. Second, By declaring the ninth clause void without affecting the validity of the remaining clauses of said act, the courts would make the act binding upon those classes of persons within the state, which the legislature had specially exempted from its provisions. This would be judicial legislation of a most flagrant character.

Judge Kohlsaat's opinion follows: Plaintiff in this case brings suit to recover on certain promissory notes given by defendant for

Inter Ocean: "It is certainly difficult to escape from the cogency of Judge Kohlsaat's reasoning as to the Illinois statute, whatever may be said of his application of the common law rule as to contracts in restraint of trade. In this connection it may be mentioned that the supreme court of Illinois has never passed upon the constitutionality of the act of 1893. Its decisions in the glucose and milk shippers' cases were based upon the act of 1891, which does not contain the objectionable section 9 of the act of 1893. At the time the act of 1893 was passed many good lawyers pointed out the defect of the exemption clause upon which it is now declared to be invalid."

Times-Herald: "In seeking to make a favored class of agriculturists and stock raisers, it denied all others the equal protection of the laws and vitiated the whole statute as class legislation. This decision carries with it the nullification of that absolutely vicious and demoralizing section which exempted any purchaser of any article or commodity from any person, firm, corporation or association, coming within the definition of a forbidden trust, from being liable 'for the price or payment of such article or commodity.' The defendants in the case before Judge Kohlsaat pleaded this exemption as a defense to a just claim to which they had or made no other defense. The idea that a debt shall be no debt because it is incurred to a plaintiff coming within the statutory definition of a trust violates a higher law than any state or national constitution—the commandment, 'Thou shalt not steal.'"

balance due on purchases and deliveries of sewer pipe. Defendant pleads the general issue and gives notices thereunder of three special defenses, all of which are based upon the theory that plaintiff was a trust or combination organized for the express purpose of creating and carrying out restriction in trade, contrary—

1. To the common law in force both in Ohio and Illinois.
2. To the act of Congress of July 2, 1890, commonly called the "Sherman act," and,
3. To the statute of the State of Illinois taking effect July 1, 1893.

As to the matters set out in the first notice of special defense, it is undoubtedly true that by the common law, contracts which are themselves directly in restraint of trade may, in a proceeding based thereon, be declared void and unenforceable by the courts; but there is no case brought to the attention of the court in which it has been held that at common law a contract not in itself in restraint of trade is void because one of the parties thereto is a party to a contract which is in restraint of trade, and the one contract is indirectly based upon the other. The fact that one party to a contract is engaged in illegal acts will not, at common law, avail the other party as a defense to the enforcement of a contract in itself legal. The first notice of special defense will, therefore, be stricken out.

It will be seen by an inspection of the so-called "Sherman Act" and of the opinion of Mr. Justice Peckham in the Addyston Pipe and Steel Company case, decided by the United States Supreme Court, December 4, 1899, that the act only covers contracts which are themselves directly in restraint of trade, and does not affect

Record: "As the anti-trust law has been on the statute books since 1893 it does not seem to make much difference whether it is constitutional or not."

Chicago Daily News: "Whatever view the higher courts may take of Judge Kohlsaat's decision holding unconstitutional the anti-trust laws of this state, that decision is a timely and appropriate warning to law-makers. The definitions and propositions were drawn as hard and fast as the legislature could make them. Then a clause was inserted that the provisions of this act shall not apply to agricultural products or live stock while in the hands of the producer or raiser.

"The motive of this sort of legislation is perfectly plain. The men who devised it wanted to be 'popular.' They wished to abolish everybody's combination except the combinations in which possibly a large number of their own constituents might be interested. They would prohibit a combination of butchers that might artificially enhance prices to the city consumer, but not a combination of cattle raisers that might advance prices to the butchers. The clause taints the law with insincerity.

"It does not appear that the entire failure of the law would be a public calamity. The practical futility of all the anti-trust laws so far passed here and elsewhere is admitted. The supreme court decision in the glucose case is cited, but the glucose trust is in operation exactly as it was before the decision was rendered. It is now generally admitted that the state laws have accomplished nothing in preventing trusts and combinations, and that broader action must be honestly and judiciously taken."

those which "merely indirectly, remotely, incidentally, or collaterally regulate to a greater or lesser degree interstate commerce among the states." It therefore follows that the second matter of special defense set up must be stricken out.

Now, coming to the ground of special defense set up in the third notice—to wit, the Illinois statute which went into effect on July 1, 1893: This statute in terms provides that the defense herein set up may be maintained as a bar; and, if the statute is valid, then plaintiff can not recover in this case if it be, as averred by defendant, a corporation organized in restraint of trade and a trust under the definition contained in said statute. Plaintiff contends that the said statute is unconstitutional (1) because it is obnoxious to section 1 of the fourteenth amendment of the federal constitution, which reads in part, as follows: "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States, nor shall any state deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws." And also (2) because it is in contravention of section 22 of article 4 of the constitution of the State of Illinois, which reads, in part, as follows: "In all other cases where a general law can be made applicable no special law shall be enacted."

The said statute of July 1, 1893, after defining a trust and setting out the various penalties provided for violation of the act provides, in section 9, that "the provisions of this act shall not apply to agricultural products or live stock while in the hands of the producer or raiser."

Can it be claimed that under this clause 9 every person within the jurisdiction of the state of Illinois has equal protection of the

Journal: "Judge Kohlsaat's decision is wise, right and sensible. It conforms exactly to what should be a vital principle in all government—that of 'equal rights to all, special privileges to none,' and it ought to teach our log-rolling, favor-currying legislatures to make laws that apply to all classes alike, or let law-making alone; but they won't."

Evening Post: "The decision of Judge Kohlsaat in the federal circuit court in the case of the Union Sewer Pipe Company commends itself to lawyers and laymen alike. It is in harmony with commercial morality and common sense. It is not a blow at reasonable anti-trust legislation; it merely sets aside a statute in which vicious special and class legislation found striking exemplification, and which sound jurists believed from the beginning to be null and void. This fatal defect in the trust law of 1893 has been pointed out before, but no test in the courts has been made till now. That section being void, the whole act collapses with it, for the courts cannot say that the classes exempted by the legislature shall be subject to the provisions of the act. That would be flagrant judicial legislation. There is division of opinion as to whether this decision, if sustained, would leave Illinois without any anti-trust law. Some hold that the act of 1891 is still in force, while others think that it was repealed by that of 1893. But the common law against conspiracies and combinations in restraint of trade is certainly sufficient to protect us against monopoly and abuse, and one may well doubt the necessity of any additional legislation."

laws? Is not this class legislation? Is it in accordance with section 1 of the fourteenth amendment to the federal constitution that those who produce or raise agricultural products or live stock shall be exempted from the provisions of a statute which by its terms are binding on every other citizen or person within the state? I think clearly not. I am of the opinion that this statute contains both class and special legislation, and is in contravention of both the federal and state constitutions, and therefore void.

It is urged that, granting the unconstitutionality of said ninth clause, yet it may be declared void without affecting the validity of the remaining clauses of said act. If this were so, then by declaring said clause void the courts would make the act binding upon those classes of persons within the state which the legislature had specially exempted from its provisions. This would be judicial legislation of the most flagrant character.

In my opinion, the said clause 9 taints the whole act, and renders it all void. Therefore the special defense set up in the third notice must be stricken out.

It follows, on the record as it is with the said three matters of special defense stricken out, that a verdict must be given for the plaintiff for the face of the notes in suit and interest thereon from maturity at five per cent, and the jury will be so instructed.

Chronicle: "If this decision shall be sustained by the higher courts it will appear as if our legislators, in seeking to outlaw some classes of trusts in which neither they nor their constituents were interested, but to protect other home industrial trusts—such as mining and agriculture—overshot the mark and rendered **all** their labor useless. It is rarely to be found that demagogues make safe legislators."

Tribune: "Judge Kohlsaats decision recalls the fact that last year the attorney general of Illinois, in a communication to the legislature, suggested the advisability of revising the anti-trust laws on the statute books, and intimated his doubts as to the wisdom of exempting certain classes from their operation. Others have shared those doubts. The legislature did not deem it expedient to act in the matter. Whether it could have been induced to strike out the clause exempting agricultural products, which, by the way, is not in the act of 1891, is doubtful. The fate of the Illinois anti-trust laws is now in the hands of the federal judiciary, and will be determined probably before the next general assembly meets."

Economist: "It will be very fortunate if this decision shall be found finally to have deprived the state of Illinois of its anti-trust laws. It is of course necessary to have laws restricting and regulating the operation of large concerns, whether they be partnerships, corporations or combinations of corporations, but our laws are a bad misfit. It would be a great advantage to us to have the restrictions which now make it so dangerous to do business on a large scale swept entirely from our statute books. The spirit of the people and even of the state courts has been such for some years past that the organization of new undertakings has been greatly discouraged, enterprises already existing here have moved away and we have been deprived of the industrial growth which normally belongs to us."

JUSTICE HARLAN.

In His Dissenting Opinion in the Sugar Trust Case, This Eminent Jurist Speaks for the Average American Citizen.

An enlightening declaration on the sufficiency and deficiency, according to the point of view, of the anti-trust act and the federal constitution with respect to their powers of restraint upon monopoly may be found in the dissenting opinion of Justice Harlan in the sugar trust case—the case of the United States vs. E. C. Knight Company, decided Jan. 21, 1895. The case is thus stated in United States Reports, Vol. 156: “The American Sugar Refining Company, a corporation existing under the laws of the state of New Jersey, being in control of a large majority of the manufactories of refined sugar in the United States, acquired, through the purchase of stock in four Philadelphia refineries, such disposition over those manufactories throughout the United States as gave it a practical monopoly of the business. Held (by the United State Supreme Court) that the result of the transaction was the creation of a monopoly in the manufacture of a necessary of life which could not be suppressed under the provision of the act of July 2, 1890 (anti-trust act), ‘to protect trade and commerce against unlawful restraints and monopolies,’ in the mode attempted in this suit; and that the acquisition of Philadelphia refineries by a New Jersey corporation and the business of sugar refining in Pennsylvania, bear no direct relation to commerce between the states or with foreign nations.”

“The dissenting opinion of Justice Harlan in the sugar trust case shows how essential to the efficiency of federal legislation against industrial trusts is the power to forbid monopoly of production within a state, and how the denial of this power by the majority of the court precludes congress from abolishing the trusts. Congress, by virtue of its power to regulate commerce, is bound to keep the ways open for the passage of commodities among the states; but what commodities shall be produced, by what agencies, by whom they shall be shipped, and at what prices they shall be sold, are matters beyond its competency.”—CARMAN F. RANDOLPH in Popular Science Monthly.

Justice Harlan in part said: "If this combination (the sugar trust, controlling, through purchase of the four Pennsylvania refineries, 98 per cent of the production of refined sugar in the United States) so far as its operations necessarily or directly affect interstate commerce, cannot be restrained or suppressed under some power granted to Congress, it will be cause for regret that the patriotic statesmen who framed the constitution did not foresee the necessity of investing the national government with power to deal with gigantic monopolies holding in their grasp, and injuriously controlling in their own interest, the entire trade among the states in food products that are essential to the comfort of every household in the land. Congress is invested with power to regulate commerce with foreign nations and among the several states. The power to regulate is the power to prescribe the rule by which the subject regulated is to be governed. It is one that must be exercised throughout the territorial limits of the several states.

"What is commerce among the states? The decisions of this court fully answer the question. 'Commerce, undoubtedly is traffic, but it is something more: it is intercourse. It does not embrace the completely interior traffic of the respective states—that which is 'carried on between man and man in a state, or between different parts of the same state, and which does not extend to or affect other states'—but it does embrace 'every species of commercial intercourse' between the United States and foreign nations and among the states, and therefore it includes such traffic or trade, buying, selling, and interchange of commodities, as directly or necessarily involves the interests of the people of the United States. 'Commerce, as the word is used in the constitution, is a unit,' and 'cannot stop at the external boundary line of each state, but may be introduced into the interior.' 'The genius and character of the whole government seem to be, that its action is to be applied to all the external concerns of the nation, *and to those internal concerns which affect the states generally.*' It is the settled doctrine of this court that interstate commerce embraces something more than the mere physical transportation of articles of property, and the vehicles or vessels by which such transportation is effected.

"Now is the act of Congress of July 2, 1890 (anti-trust act), repugnant to the constitution? It would seem to be indisputable that no *combination* of corporations or individuals can, *of right* impose unlawful restraints upon interstate trade, whether upon transportation or upon such interstate intercourse and traffic as precede transportation, any more than it can, *of right*, impose unreasonable restraints upon the completely internal traffic of a state. The fundamental inquiry is What, in a legal sense, is an unlawful restraint of trade. There is a partial restraint of trade which in certain circumstances is tolerated by law. But

a general restraint of trade has often resulted from combinations formed for the purpose of controlling prices by destroying the opportunity of buyers and sellers to deal with each other upon the basis of fair, open, free competition. Combinations of this character have frequently been the subject of judicial scrutiny, and have always been condemned as illegal because of their necessary tendency to restrain trade. Such combinations are against common right and are crimes against the public. (Justice Harlan illustrated cases of this character by reference to these cases: *Morris Run Coal Co., v. Barclay Coal Co.*, 68 Penn.; *Arnot v. Pittson & Elmira Coal Co.*, 68 N. Y.; *Central Ohio Salt Co. v. Guthrie*, 35 Ohio; *Craft v. McConoughy*, 79 Illinois; *People v. Chicago Gas Trust Co.*, 130 Illinois; *India Bagging Association v. Kock*, 14 Louisiana; *Santa Clara Mill and Lumber Co. v. Hayes*, 76 California; *Richardson v. Buhl*, 75 Michigan,—*Diamond Match case.*)

"But there is a trade among the several states which is distinct from that carried on within the territorial limits of a state. The regulation and control of the former is committed by the national constitution to Congress. Commerce among the states, as this court has declared, is a unit and in respect of *that* commerce this is one country, and we are one people. It may be regulated by rules applicable to every part of the United States, and state lines and state jurisdiction cannot interfere with the enforcement of such rules. The jurisdiction of the general government extends over every foot of territory within the United States. Under the power with which it is invested Congress may remove unlawful obstructions, of whatever kind, to the free course of trade among the states. In so doing it would not interfere with the 'autonomy of the states,' because the power thus to protect interstate commerce is expressly given by the people of all the states. Interstate intercourse, trade and traffic, is absolutely free, except as such intercourse, trade or traffic, may be incidentally or indirectly affected by the exercise by the states of their reserved police powers. It is the constitution, the supreme law of the land, which invests Congress with power to protect commerce among the states against burdens and exactions arising from unlawful restraints by whatever authority imposed. Surely a right secured or granted by that instrument is under the protection of the government which that instrument creates. Any combination, therefore, that disturbs or unreasonably obstructs freedom in buying and selling articles manufactured to be sold to persons in other states, or to be carried to other states—a freedom that cannot exist if the right to buy and sell is fettered by unlawful restraints that crush out competition—affects not incidentally, but directly, the people of all the states; and the remedy for such an evil is found only in the exercise of powers confided to a government which, this court

has said, was the government of all, exercising powers delegated by all, acting for all.

"There is no dispute here as to the lawfulness of the business of refining sugar, *apart from the undue restraint which the promoters of such business, who have combined to control prices, seek to put upon the freedom of interstate traffic in that article.* The act of 1890 does not strike at the manufacture simply of articles that are legitimate or recognized subjects of commerce, but at *combinations* that unduly restrain, because they monopolize, *the buying and selling of articles* which are to go into interstate commerce. This act of Congress has for its sole object the protection of such trade and commerce *as the constitution confides to national control*, and the question is presented whether the *combination* assailed by this suit is an unlawful restraint upon interstate trade in a necessary article of food which, as every one knows, has always entered, now enters, and must continue to enter, in vast quantities, into commerce among the states. It is said that manufacture precedes commerce and is not a part of it. But it is equally true that when manufacture ends that which has been manufactured becomes a subject of commerce; that buying and selling succeed manufacture, come into existence after the process of manufacture is completed, precede transportation, and are as much commercial intercourse, where articles are bought *to be* carried from one state to another as is the manual transportation of such articles after they have been so purchased. The power of Congress covers and protects the absolute freedom of such intercourse and trade among the states as may or must succeed manufacture and precede transportation from the place of purchase. A citizen of Missouri has the right to go in person or send orders to Pennsylvania and New Jersey for the purpose of purchasing refined sugar. But of what value is that right if he is confronted in those states by a vast *combination* which absolutely controls the price of that article by reason of its having acquired all the sugar refineries in the United States in order that they may fix prices in their own interest exclusively. In my judgment the citizens of the several states composing the Union are entitled, of right, to buy goods in the state where they are manufactured, or in any other state, without being confronted by an illegal combination whose business extends throughout the whole country, which by the law everywhere is an enemy to the public interests and which prevents such buying except at prices arbitrarily fixed by it. I insist that the free course of trade among the states cannot coexist with such combinations.

"Whatever a state may do to protect its completely interior traffic or trade against unlawful restraints, the general government is empowered to do for the protection of the people of all the states—for this purpose one people—against unlawful traffic or trade in articles that are to enter into commerce among the

several states. If, as already shown, a state may prevent or suppress a combination, the effect of which is to subject its domestic trade to the restraints necessarily arising from their obtaining the absolute control of the sale of a particular article in general use by the community, there ought to be no hesitation in allowing to Congress the right to suppress a similar *combination* that imposes a like unlawful restraint upon interstate trade and traffic in that article. While the states retain, because they have never surrendered, full control of their completely internal traffic, it was not intended by the framers of that constitution that any part of interstate commerce should be excluded from the control of Congress. Each state can reach and suppress combinations so far as they unlawfully restrain its interior trade, while the national government may reach and suppress them so far as they unlawfully restrain trade among the states.

"While the opinion of the court in this case does not declare the act of 1890 to be unconstitutional, it defeats the main object for which it was passed. For it is in effect held that the statute would be unconstitutional if interpreted as embracing such unlawful restraints upon the purchasing of goods in one state to be carried to another state as necessarily arise from the *existence* of combinations formed for the purpose and with the effect, not only of monopolizing the ownership of all such goods in every part of the country, but of contracting the prices for them in all the states. This view of the scope of the act leaves the public, so far as national power is concerned, entirely at the mercy of combinations which arbitrarily control the prices of articles purchased to be transported from one state to another state. I cannot assent to that view. In my judgment the general government is not placed by the constitution in such a condition of helplessness that it must fold its arms and remain inactive while capital combines, under the name of a corporation, to destroy competition, not in one state only, but throughout the entire country, in the buying and selling of articles—especially the necessities of life—that go into commerce among the states. The doctrine of the autonomy of the states cannot properly be invoked to justify a denial of power in the national government to meet such an emergency, involving as it does that freedom of commercial intercourse among the states which the constitution sought to attain.

"If this be not a sound interpretation of the constitution, it is easy to perceive that interstate traffic, so far as it involves the price to be paid for articles necessary to the comfort and well-being of the people in all the states, may pass under the absolute control of overshadowing combinations having financial resources without limit, and an audacity in the accomplishment of their objects that recognizes none of the restraints of moral obligations controlling the actions of individuals; combinations governed en-

tirely by the law of greed and selfishness—so powerful that no single state is able to overthrow them and give the required protection to the whole country, and so all-pervading that they threaten the integrity of our institutions.

“We have before us the case of a combination which absolutely controls, or may, at its discretion, control the price of all refined sugar in this country. Suppose another *combination*, organized for private gain and to control prices, should obtain possession of all the large flour mills in the United States; another of all the grain elevators; another of all the oil territory; another of all the salt-producing regions; another of all the cotton mills; and another of all the great establishments for slaughtering animals, and the preparation of meats. What power is competent to protect the people of the United States against such danger except a national power—one that is capable of exerting its sovereign authority throughout every part of the territory and over all the people of the nation?”

Henry D. Lloyd in “Wealth Against Commonwealth”: “The line of development is from local to national and from national to international. The amount of capital changes continually with the re-chrySTALLIZATIONS in progress. Not less than five hundred million dollars is in the coal combination, which our evidence shows to have flourished twenty-two years; that in oil there is nearly if not quite two hundred millions, and the other combinations in which its members are leaders foot up hundreds of millions more. Hundreds of millions of dollars are united in the railroads and elevators of the Northwest against the wheat growers. In cattle and meat there are not less than one hundred millions; in whisky thirty-five millions, and in beer a great deal more than that; in sugar seventy-five millions; in leather over a hundred millions; in gas hundreds of millions. Quite beyond ordinary comprehension is the magnitude of the syndicates, if there is more than one, which are going from city to city consolidating all the gas works, electric lighting companies, street railways in each into single properties, and consolidating these into vast estates for central corporations of capitalists, controlling from metropolitan offices the transportation of the people of scores of cities.”

THE BOSTON GAS TRUST.

A Story of Competition, Monopoly and Remarkable Financiering.

The most complex trust ever devised is declared to be the Bay State Gas Trust, the combination supplying gas to Boston. The story of this trust, laboriously extracted from legislative reports, other documents, and the files of all the Boston dailies for fifteen years, is told by Professor John H. Gray, chair of political science in Northwestern University, and Harvard '87, in a series of articles in the *Quarterly Journal of Economics*, entitled "The Gas Supply of Boston." The story began in the number for July, 1898, and will be completed in the fifth and sixth articles of the series, yet to be published. The story has been in part synopsisized by Professor Gray, under the title of "The Difficulties of Control as Illustrated in the History of Gas Companies," and as such has been read before and been published by the American Academy of Political and Social Science, Professor Gray reading his paper at the fourth annual meeting of the Academy, Philadelphia, April 19-20, 1900. The concluding article of the incomplete series will give the full history of the Massachusetts gas commission in its dealings with the trust. The story of the trust may be broadly outlined as follows:

In 1822 was organized the Boston Gas Light Company, capital stock \$75,000. In 1874 the company had a paid up share capital of \$2,500,000. Until 1884 no attempts at actual competition were made, although as early as 1874 there were in all seven companies supplying gas to Boston and suburbs, each in a separate district. All the companies were paying dividends of from 8 to 10 per cent annually. Therefore these companies enjoyed a good thing, and would-be competitors or monopolists saw it. As early as 1867 hearings were given in favor of a new competing company, and in 1874 one was organized. The new company talked competition, asked for street privileges, and \$2, instead of \$2.50 gas; and the result of its importunity was that in 1877 Boston appointed an excellent commission to consider the relation of the public to the

gas supply. "The conclusions of the commission are in keeping with the best theoretical views which have been reached to our time. The commission showed the impossibility of effective competition, set forth the necessity of monopoly, and recommended control of the monopoly, through strict publicity of accounts, by means of an independent and impartial commission. While not indorsing public ownership as a desirable solution of the problem, the commission recommended that the city seek from the state the authority to establish its own gas plant, as a menace to bring the companies to terms, and keep them in check until permanent and effective means of control could be perfected." Here the matter rested until 1884, when a new company organized under the general law was kept out by veto of Mayor Martin. Its ownership finally passed to the Bay State Gas company. Meanwhile water gas was invented, and, as the new process was not generally understood, only the owners of water gas patents knew the fair price for water gas.

In 1884 came to Boston J. Edward Addicks, of Philadelphia, loaded with plenty of resources and water gas patents. A new era in Boston now began. Mr. Addicks formed the Bay State Gas Company of Massachusetts and Boston decreed that he might enter the gas supply field if he actually paralleled all the gas pipes in Boston. The aldermen with this permit tried to fix gas at \$1, but failed. Now in 1880 the Massachusetts legislature had passed an act prohibiting, in the interest of the coal gas companies, the sale of gas containing more than ten per cent of carbonic oxide. This act barred water gas, but it did not bar Mr. Addicks' water gas. Persistently the Bay State Company worked the legislature for permission to increase its capital stock from \$500,000 to \$5,000,000, to make water gas, and lease and consolidate with all the other companies of Boston. Mr. Addicks was admitted to compete, but he forthwith set out to monopolize. The old companies properly grew alarmed, and appealed to the state, for the new company began to construct enormous plants for water gas, and to lay large pipes which could be easily connected with the distributing systems of the old companies. Out of the panic of the old companies came a state gas commission, "with greater powers of inspection and control than any other state commission in any state has ever been given over any kind of corporation."

The Bay State Company continued to pursue its ends, getting in 1888 virtual permission, in two acts, to make water gas and increase its stock to \$2,500,000, though the latter it never did, for the issue would then have been subject to the general laws. But before these acts, "the company had engaged in some of the boldest and most remarkable financiering to be found in the history of American corporations." On March 11, 1885, the Bay State

Company contracted with its founder, Mr. Addicks, who owned 98 per cent of its stock, to build its works for \$4,950,000, of which \$450,000 was to be paid in cash and \$4,500,000 in a ninety-nine year obligation, bearing interest at the rate of nine-tenths of the net earnings of the company. When the company's obligation was delivered it had none of its stock paid in, had no assets, and owed \$4,500,000 on works on which no labor had been spent. The contract called for the laying of at least one hundred miles of main, whereas, had competition been intended, the company should have contracted to parallel from three hundred to three hundred and fifty miles of mains. When the Bay State Gas Company entered Boston it pleaded that the city needed new service, and that the tearing up of the streets was in the city's interests; when the company became intrenched it pleaded that the paralleling of pipes was objectionable to the public and a waste of capital.

Meanwhile what was the corporate action of the Bay State Company? On Sept. 3, 1885, the capital stock of \$500,000 was paid in cash. The same day the company paid the Beacon Construction Company—Mr. Addicks—the sum of \$450,000, and lent it \$50,000 at 2 per cent interest. The gas company now had no assets, but a \$50,000 note, owed \$4,500,000, and had spent the money paid for its share capital. Neither had the company any place of business, nor business to be done. A year later the directors ratified their own acts. On March 23, 1889, the stockholders—one man holding all but seven shares—said the construction contract was satisfactory, and the construction company was authorized to retain the obligation for \$4,500,000 and the \$450,000 in cash. The cash value of the work done was probably about \$700,000.

But to return to Mr. Addicks. Armed with the obligation, or bond, for \$4,500,000, and the contract on which it was based, Mr. Addicks formed in Philadelphia, March 19, 1885, the Beacon Construction Company above referred to, for the sole purpose of building the Bay State works. Of the 15,000 shares of stock Mr. Addicks took 14,980, worth \$1,498,000, assigned his contract to the new company, and paid for his shares by transferring to it the obligation for \$4,500,000. Mr. Addicks, though selling large portions of this stock, retained control of the company. What became of the obligation for \$4,500,000? It became assigned to the Peninsular Investment Company, of Delaware, a company organized by Mr. Addicks, in 1889, to hold the securities of the Boston gas companies. Immediately upon organization, by permission in its charter, this company changed its name to The Bay State Gas Company of Delaware, and is thus still known. In this transfer, and one to one Herman G. Mulock, no money passed; the payment being in stock and bonds of this convenient

Delaware corporation. "The object of the transactions seems to have been simply to get the obligation where its original holders could draw an income from it."

Such facts and others subsequent showed that the promoters of these companies proposed to consolidate the gas companies in and about Boston. Both the public and the existing companies began to fear that combination and not competition would result from admitting the Bay State Company, unless more stringent legislation was enacted; and such was enacted. An act of June 30, 1886, increased the powers of the gas commission, forbade any company to issue bonds in excess of its paid-up capital stock, and the issue of bonds below par, or at a rate of interest greater than 6 per cent. It was also provided that "no gas company shall transfer its franchises, lease its works, or contract with any person, association, or corporation to carry on its works without the authority of the legislature.

In the course of the Bay State Company's circuitous financing it was thought necessary, as a direct means of purchasing a controlling interest in the other companies, to organize, temporarily, as was done June 1, 1887, a voluntary association or trust, known as the Boston Gas syndicate. Its articles of association contained this statement: "The principal object of this agreement being hereby declared to be to lease or consolidate with said Bay State Gas Company of Massachusetts all the companies herein named or referred to," which companies were all doing business in and around Boston, and the Bay State Gas Company of New York, a company which failed to organize. The financing seems to have developed somewhat as follows: The trustees of the syndicate agreed to buy the stocks of the Boston gas companies and sell it to the Bay State Gas Company of New Jersey, another financial auxiliary created by Mr. Addicks in his complicated machine. This company agreed to deposit these stocks in trust with the Mercantile Trust Company of New York and to issue on deposit, through the trust company, Boston United Gas 5 per cent fifty-year gold bonds amounting to \$12,000,000. These bonds are of even date with the income bonds of the Delaware Company given in exchange for the \$4,500,000 obligation. These Boston United Gas bonds were delivered to the syndicate and served, by that sale, to pay in large part for the stocks bought. The syndicate paid about \$6,150,000 for the shares of the Boston Gas Light Company alone. When the stocks were purchased, for every cash subscription of \$1,000 the subscriber received \$1,000 in the second series of United Gas bonds, \$100 in the income bonds of the Bay State Company of Delaware, and \$600 in stock of the same company—securities of a face value of 170 per cent of the amount subscribed. The stocks put in trust cost

about 215 per cent of their par value. To summarize, what was the financial machinery through which the Boston gas trust came to its ends? After increasing the property of the gas plants in Boston it organized the Beacon Construction Company, the Bay State Gas Company of Massachusetts, the Bay State Gas Company of New Jersey, the Boston Gas Syndicate, the last named buying stocks of the Boston Gas companies with a par value of \$3,987,000 for \$8,571,645. This company after issuing the bonds had been literally absorbed by the Bay State Gas Company of Delaware, organized to do it. This list does not include the Bay State Gas Company of Pennsylvania and the Bay State Gas Company of New York, which were skeleton companies only. All of these companies were absolutely controlled from the beginning by the same people. The Bay State company in face of great opposition, had got the legislature to sanction the sale of water gas, which it alone could make, and it had control of the three other companies, and could supply water gas through their systems. This was not the proposition: "The promoters of the Bay State Gas Company of Massachusetts formed this multitude of corporations, limited partnerships, trusts, syndicates and contracts with themselves, in five states, to the legislatures (and in some cases the city councils), of which they have had to make numerous appeals, all in the attempt to make the property which before paid ten per cent, on less than \$5,000,000 of capitalization, by the addition of probably about \$1,000,000 to the investment (including patent rights), pay interest and dividends on \$17,000,000 capitalization." At the time the trust agreements were executed the four companies actually under control of the trust were the Bay State, the Boston, the South Boston, and the Roxbury. The trust proposed, if it could do so at favorable prices, to buy the shares of these companies left outstanding after the first purchase, and to buy all the stocks of the Charlestown, the Chelsea, the Dorchester, the East Boston, the Jamaica Plain, the Malden and Melrose, the Newton and Watertown, the Waltham, the Brookline, and the Cambridge Companies. Of this list only the Dorchester Company finally fell into the hands of the trust. The Bay State Gas company of New Jersey paid for the stocks of the companies it took in by an issue of Boston United Gas bonds, amounting in the beginning to \$7,000,000 first series, and \$3,000,000 second series, and the proceeds of these bonds in fact went, through the syndicate, to pay for the stocks of the four Boston companies put in trust to secure the same bonds. The parties to the trust agreement Jan. 1, 1889, were J. Edward Addicks, W. E. L. Dillaway, who called themselves the "owners" of the various stocks turned in, representing the Boston Gas syndicate, the Bay and the Mercantile Trust Company of New York. Messrs.

Addicks and Dillaway assigned to the New Jersey company all their right, title and equity in the stocks of these four Boston gas companies, these private "owners" by this sale becoming the corporate "owners" of virtually the whole stock of the New Jersey company, which by the contract assumed all the obligations of the owners under the trust agreement. On April 9, 1890 Messrs. Addicks and Dillaway turned the entire existence of the New Jersey company over to the Bay State Gas Company of Delaware, the latter assuming all the obligations of the former. "It will be observed that Messrs. Addicks and Dillaway, whether contracting under one name or another, have always as a single party represented both sides in every contract. With the closing of this last mentioned contract we reach, after a multiplicity of such contracts, covering a series of about six years, a comparatively simple stage in these affairs. To sum up, we find a majority of the stocks of four of the Boston gas companies held in trust by the Bay State Gas Company of Delaware, in which Messrs. Addicks and Dillaway have a controlling interest, and which stands bound to pay the interest and principal of \$12,000,000 of trust bonds as well as all other expenses of the issued by the Bay State Gas Company of Boston, for which it exchanged its own stock, and, as such owner, is entitled to the dividends and interest that may be drawn from the same." drawn from the same."

The trust may be said to have been completed with the listing of the first portion of Boston United Gas bonds on the New York Stock Exchange, July 31, 1889. The par value of the stocks of the combined companies was \$4,040,000, with minority shares amounting to \$52,000, outside the trust. The companies had quick assets worth \$1,000,000, with no indebtedness, except the obligation for \$4,500,000 of the Bay State Company, and a floating debt of about \$50,000 on the South Boston company. It appears that the combined properties represented an investment of between \$9,000,000 and \$10,000,000, upon which had been issued a foreign, extra-state capitalization of \$17,000,000. The problem was, notwithstanding the tradition that ten per cent was a general maximum dividend, and that the Bay State had entrenched itself in Boston under the banner of cheaper gas—the problem was to triple the earnings from this gas field and turn all the surplus into the Bay State treasury.

"After more than six years of remarkable and fruitless appeals to the legislature for special legislation favorable to the company, and of legal and financial manipulation, about July 1, 1890, the Bay State company found itself in possession of a magnificent water gas plant of large capacity, and in complete control of four other companies, with perhaps, on the whole, the most valuable field for the sale of gas in the world." The Bay State set about

making the most of its legal rights—it would sell gas to the companies controlled by it, and turn all the profits into the channel of the Bay State company. There was no restraint from the gas commission. Its jurisdiction over such sales was at least doubtful. But opposition, legislative and popular, to the Bay State grew, and the gas commission was ordered, Feb. 20, 1892, to investigate and report to the legislature in thirty days; it did so, and for the first time the relations of the companies of the gas trust was made known. The great investigation of 1893 was the necessary and speedy consequence. "It must have been plain to any student of the development of political sentiment or of corporate enterprises, upon reading that report, that no American public would knowingly tolerate and permit such relations to continue."

Now what were the earnings of the trust? "The Bay State company was manufacturing the gas, for which it was charging the Boston company (apart from the exorbitant rent for street mains) \$1 per thousand, for about 40 cent per thousand for the fiscal year 1891, and at about 33 to 35 cents per thousand for the fiscal year 1892. The gas commission reported that the Boston company, acting independently, could sell coal gas to consumers at \$1 per thousand on an 8 per cent dividend basis, whereas the combination had for several years been selling a much cheaper gas from about \$1.21 to \$1.28 per thousand net. The general expenses of managing the whole business was almost entirely borne by the Boston company. The Bay State company for the calendar year 1890 paid in all 7 per cent on both stock and obligation for \$4,500,000, or \$350,000, and the next year 8 per cent, or \$400,000, and on March 14, 1892, a further 2.5 per cent, or \$125,000. The total profits within twenty-one months after beginning to make gas in quantity were \$875,000. The Bay State's high water returns were for the fiscal year ending June 30, 1891, when it distributed \$500,000, or 100 per cent; during the flourishing twenty-one months the Bay State sold the Boston company a total of 1,348.6 million feet. The trust, for its organizers, was a brilliant success; publicity and the people had not yet interfered.

But "the political conditions of 1892-3 invited an attack. A small group of well-educated, intelligent, and ambitious young men then completely controlled the Democratic party in Massachusetts. In January, 1893, one of these entered upon his third time as governor; a second, Nathan Matthews, Jr., began his third term as mayor of Boston; while a third, Josiah Quincy, held a high federal office in Washington. The Democratic party was in high hopes of continuing and extending its power in the state. In that case Mayor Matthews was looked upon as the logical successor of Governor Russell." The gas situation in

Boston was the stage for a strong political play. There must be competition. The rights of the case were confusion itself, but Mayor Matthews, so interpreting his powers, contracts for public lighting being about to expire, admitted the Brookline company—physically and legally equal to the purpose—as a competitor, by the mere permit of his superintendent of streets; and this, too, in apparent defiance of the provisions of the act creating the gas commission, and act, one of whose chief objects was to prevent competition.

Mayor Matthews, vigorous and aggressive, now went in for dollars, as public lighting had the first place in his inaugural address, and on Jan. 30, 1893, he petitioned the legislature for relief, and presented seven separate bills to remedy the evils he complained of. Further, Mayor Matthews filed three separate petitions, one asking the gas commission to order the Bay State to reduce its price; second, asking that all the companies be ordered to sell to private consumers for \$1, and to the city of Boston for 80 cents; the third asking that the Boston company separately be ordered to sell gas to the city at 80 cents, and to private consumers at \$1. On Feb. 27, 1893, after advertisements for public lighting had been duly published, a contract fixing public lighting at 70 cents per thousand was signed with the Brookline company, "probably the first American contract for public lighting which binds the company to fixed prices to private consumers." Be it noted here that at about this stage of the drama a new character appears—the Standard Oil Company—and for this reason: To make water gas—to enrich it—is needed large quantities of naphtha, and the production of naphtha is controlled by the Standard Oil company. Naturally, therefore, the larger gas companies have been passing into the control of that monopoly. During these tempestuous years in Boston gas history, Mr. Addicks bought his naphtha of another company. There was no reason why the Standard Oil should favor Mr. Addicks, and it certainly did not favor him when in February, 1893, it took control of the Brookline company, competitor to the Addicks gas trusts, and right arm of ambitious Mayor Matthews for a strong political play. "The activity of the mayor was marvelous. Within a period of about a week he argued the petition against the Boston company before the gas commission; made another argument before the same board in opposition to the appeal of the Boston company against the right of the Brookline company to lay pipes in Boston without the consent of the board of aldermen; and had an order passed through the house of representatives March 28 for a thorough investigation of the whole history, life, and relations of all the Bay State companies by a special committee of the house." Although on April 17 the commission ordered the Boston company

to supply dollar gas, Mayor Matthews had by no means finished his campaign against the trust. The investigation held the first place in press and public mind from trial enterprise. One corporation the committee did not uncover—the Beacon Construction Company, which built the works of the Bay State company in Boston. The majority of the committee reported that there had probably been no violation of law, and it did not advise forfeiture of charter. No bills accompanied any of the reports. Mayor Matthews acted as chief counsel for the prosecution; George Fred Williams as junior. After the reports of the investigating were in a bill was rushed through the legislature revoking the charter of the Bay State company unless it should cancel the obligation for \$4,500,000 within six months without incurring new obligations, save that additional share capital might be issued to such an amount as would not make the total liabilities of the company exceed the actual value of its property, as judicially determined—later fixed at \$2,000,000. The company issued \$1,500,000 in new shares, and canceled the obligation Nov. 24, 1893.

"Thus ended this remarkable campaign against the companies. The mayor appeared to be successful at every point. Under his leadership the price of gas had been made lower than prevailed in any other large American city; public opinion had been created and directed; the policy of the state in regard to competitive gas companies had been reversed; \$3,000,000 of fictitious capitalization had been squeezed out of a great corporation by legislative fiat; and the legislature, for the second time in generations, had resorted to the heroic remedy of undertaking to revoke the charter of an active corporation." The transitory character of the contract the city of Boston made with the Brookline company is shown in the voluntary abrogation by the city, in 1899, of this and all other contracts with the gas companies. The city is now lighted by a Maine corporation, the Rising Sun Lighting Company, which buys its gas from the gas companies.

The experiment of competition in gas supply, where economists say only monopoly by the state, or controlled by the state if in private hands, should prevail, now had its significant day. The Brookline company continued to extend its pipes until about May 1, 1896, there were about two hundred miles of duplicate mains in the street, and almost every house in the better portion of the field had a duplicate service. The warfare entailed all the wastes of discounts, advertisement, gift of domestic appliances, etc. The total dividends of the Bay State companies fell from \$438,247 in 1893 to \$269,092 in 1894. A sensational event at this stage of Boston gas history was Mayor Matthews' announcement in November, 1894, that he had accepted the presidency for three years of the Bay State companies in Boston, at

an annual salary of \$25,000. For a time, therefore, he was mayor of Boston, and president-elect of the gas trust. He, however, resigned the latter office only two or three months after he retired from the mayoralty.

There was now a period of rumors and apprehension in gas circles, though it was early plain that in a fight to the death the backing (Standard Oil) of the Brookline would pull it through, "while even a temporary receivership might be the means of wrecking the network of trusts and interstate legal relations on which the life of the Bay State companies hung." In 1896 came the inevitable—consolidation. But before competition ceased new and important factors came into the problem.

Henry M. Whitney, "fresh from his industrial, financial, and legislative victories in consolidating all of the street car companies of Boston and vicinity by special act of the legislature, an achievement by which he had given the world the first great street car system under a single management," now saw in the gas business of Boston an industry worthy his genius. He came into the field with a new process—that is, he proposed to produce his gas from coke. At the beginning of the decade he had organized the Dominion Coal Company, to operate large bituminous coal mines in Nova Scotia, which had come into his control, and he expected to find his chief market in New England. Mr. Whitney approached the great Boston proposition knowing that both success and failure in such an enterprise could be great, "an experiment that no individual would care to undertake at his own sole risk. On the other hand, the corporation laws of Massachusetts are made and executed with the special view of preventing one from trying such industrial experiments at the risk of other people. Mr. Whitney went directly at the legislature. His bill was entitled "An Act to Encourage the Manufacture of Cheap Coke and Gas." He asked extraordinary privileges, and exemption from stringent laws; and he asked not incorporation, but a personal grant. "The bill, while nominally containing restrictions in the interest of the public, was in fact an adroitly devised scheme to consolidate all the Boston companies, and at the same time remove them from all essential control by the legislature and the commission in regard both to capitalization and service. This could have been done under the bill without any additional investment, and without any attempt to make coke or coke-oven gas. The combination, thus freed, could have sold untested gas for the whole period of the grant (fifty-four years) at prices equal to those prevailing at the time the bill was passed. It should be noted that all these extraordinary privileges were asked ostensibly in order to furnish cheap gas to the public, as no new legis-

lation was required to enable any one to engage in the manufacture and sale of coke."

It was a battle royal in the legislature—the session of 1896. The Addicks trust grew white and compromised, agreeing to buy all its gas from Mr. Whitney. The bill was amended—not even the combined lobbies of Messrs. Whitney and Addicks could get it through in its original shape—and provision was made for incorporation, instead of personal grant. A representative of the Bay State companies' interest said there was spent from \$200,000 to \$500,000 to put it through, and "in educating and moulding public opinion." Near the end of the session Governor Wolcott vetoed the bill, and the house sustained him. But this was not defeat. Shrewd work on rules and amendments got a new bill through the day before the legislature adjourned, and it was duly signed June 9, 1896, thereby creating the Massachusetts Pipe Line Gas Company, capital \$1,000,000, with privilege to increase it to \$5,000,000. But the charter of the new company was not so liberal as its promoters wished, "and while the vetoed bill could have been used as a consolidation bill, without reference to the manufacture of coke, the limitations of the charter as enacted were such as to make it profitable only for the manufacture and sale of the products of coke ovens." The company remained unorganized, the franchise apparently floating about for sale for more than a year, and it was finally sold to the New England Gas and Coke Company. In short, there was no money in such a franchise unless used as a basis for stock watering in spite of the prohibitions of the Massachusetts law.

Before the new charter was granted the agreement to stop competition in the gas business of Boston was made. The Brookline company (Standard Oil) made a contract with the Boston (one of the Addicks' trust companies) which virtually pledged all the Bay State properties to the Brookline company, so far as required to enable that company to pay ten per cent dividends. During the competitive period the Brookline company, which had competed in earnest by duplication of pipes, had just about earned interest and operating expenses; and when it made the contract was earning no dividend. The gas commission declared it overcapitalized for about \$1,075,000.

By the close of 1896 the Bay State company was unfit for another competitive struggle, and was at the mercy of the Standard Oil magnates, who, in the persons of Henry H. Rogers and others, of the Brookline company, were, Oct. 31, 1896, made trustees of the entire capital stock of the Bay State company of New Jersey, \$1,000,000, for the benefit of the Bay State company of Delaware. The trustees elected themselves directors of the Boston companies; and thus two remnants having come in, the whole Boston gas field passed into the control of Mr. Whitney

and his associates, the owners of the Brookline company. Things now looked better for experimenting with coke-oven gas, but in the way stood stringent provisions against stock watering. A new and unique plan was now developed. Mr. Whitney, the Standard Oil magnates, Emerson McMillin and W. J. Elkins—two experts in gas development—and some of the ablest lawyers in the country—devised a new company in the form of a partnership or voluntary association known as the New England Gas and Coke Company. It was to supply the other companies with unenriched gas from the Pipe Line company for fifty years at 20 cents per thousand feet. The sole management rests for forty years in a self-perpetuating body of trustees. The authorized stock issue at the beginning was \$17,500,000. "The management is highly centralized, the shares are not subject to assessment, give no right to demand an accounting, except on the very limited conditions of the articles of association. The company is a partnership, although a peculiar one, and is free from all the more severe restraints imposed on incorporated companies. There can be no limit to the amount of stocks and bonds. Both the financial and industrial operations of the company are as free from state control of every kind as if they were carried on by a single individual." The company, after authorizing the issue of \$17,500,000 in stock, at once arranged to issue \$17,500,000 in

The final consolidation of the gas interests of Chicago was arrested, at least temporarily, on July 9, 1900, by the failure of the city council of Chicago to pass over the veto of Mayor Harrison the ordinance permitting the absorption, by the People's Gas Light & Coke Company, of the Ogden Gas Company and the franchise of the Cosmopolitan Electric Company, owned by people in the Ogden. The Ogden supplies a part of one of the three districts of the city, known as the North Side. The People's has a practically perpetual charter, granted by the legislature in 1855, with \$1 net as price for gas. The Ogden franchise fixes the price at 90 cents.

The merger of the People's Gas and Ogden companies was the project of an eastern syndicate, which found not to its liking provisions in the ordinance regulating the Ogden company, whereby the Ogden could not sell its plant to another company, and must forfeit its plant to the city if it ceased, without proper cause, for ten days to give service. The syndicate claimed that under such restrictions the proposed issue of \$10,000,000 in bonds could not be floated. The main features of the substitute ordinance framed by the city council committee, to which the measure desired by the Ogden company was referred after the mayor vetoed it, were 90-cent gas and the payment of 3½ per cent of the gross annual receipts to the city as compensation. Of the original Ogden ordinance the *Evening Post* of June 22 said: "The franchise was secured by corrupt methods and with the purpose of selling it. The provision against a transfer was a deception, for there was nothing in its language to prevent the purchase of the corporation's capital stock by another corporation." The *Daily News* of July 9 said: "The Ogden company sold gas at 90 cents and found it highly profitable. The same rate imposed upon the People's company would result in a saving of some \$600,000 a year to gas consumers in the city. The price of gas will be lowered, probably, only as the city takes advantage of opportunities like the present, when the gas company wants something

bonds, the loan being necessary to pay for the property on which the loan itself was based. To get the money to pay for the various properties desired (patents and Pipe Line charters thrown in), the New England Gas and Coke Company had to do some remarkable financiering. So there was organized a dummy corporation in New York called the New York Gas Improvement Company, which arranged with the Central Trust Company of New York to furnish temporarily the necessary funds. The Central Trust was made trustee for the holders of all the bonds—\$17,500,000—and to it the coke company mortgaged everything in sight, and real estate to be acquired. The trust was completed and mortgage executed Dec. 1, 1897. The trust company's reward is interest on a temporary loan of \$12,000,000, commission in the form of from \$2,400,000 to \$3,000,000 stock, and profits for handling the trust for forty years—the life of the bonds.

But how does Boston fare? If the present unity of management continues Boston consumers must pay until 1937, when the Boston United Gas bonds are paid, dividends and interest on \$47,169,600. This includes only that portion of a total capitalization of perhaps \$160,000,000, which must have its reward to give no legal grounds for dissolving some of the corporations or trusts. This nominal capitalization of \$160,000,000 is more than seventeen times the amount necessary to supply the needs of the Boston field. The Massachusetts state gas commission says so. Two New York trust companies—the Mercantile and the Central—hold 98.3 per cent and a large part of the debt of all the eight Boston gas companies.

at its hands." The *Record* of July 10 said: "The expected substitute ordinance to enable the taking over by the People's Gas Company of the Ogden Gas Company was not presented for action to the city council last night, representatives of the Ogden Gas Company having informed the committee in charge of the substitute ordinance that the ordinance would not be accepted by the company if passed. Without an ordinance the Ogden company's sale, as contemplated by the recent arrangement with the People's company, cannot be accomplished unless it may be attained by authority of the law passed by the general assembly in 1897. The law in question permits gas companies to consolidate, although there may be express provisions in their charter against such consolidation. The fact the Ogden company applied to the council for an ordinance permitting it to sell out to the People's company reveals that the owners of the Ogden company have doubts about the constitutionality of the law of 1897. The objection offered by the Ogden Gas Company's representatives to the substitute ordinance was that it required the company, if taken over, to extend its mains as ordered by the city council and to supply gas at 90 cents a thousand cubic feet eventually everywhere throughout the city. This requirement was based upon Mayor Harrison's recommendation and is justified on the ground that the original Ogden Gas ordinance was in the nature of a contract wherein an implied condition was that the company should supply gas to the entire Chicago public at 90 cents."

Such is the origin, and such are the mutations of the Boston gas trust. The situation is full of difficulties for the reformer. Neither the legislature nor the courts have declared these relations and inter-company contracts illegal; and the gas commission in vain has asked the legislature to make such contracts subject to the commission's approval. Legal consolidation seems the only remedy, although it means compulsion and a threat of destruction. To command the gas commission to fix the capitalization for consolidation would be to impose a task which no similar body ever yet has had to endure. But legal consolidation on some basis seems inevitable.

THE NEW YORK ICE TRUST.

An Impartial Story of a Municipal Scandal Denounced by Both Political Parties.

The following is offered as an impartial story of the origin, development and present status of the famous New York ice trust. It was written, under date of July 30, 1900, by a New York newspaper man, who had been asked to state the case without partisan color or bias.

The cartoons that illustrate the story are the work of Davenport, cartoonist of the New York "Journal" and Chicago "American," and by permission of these newspapers are herewith reproduced:

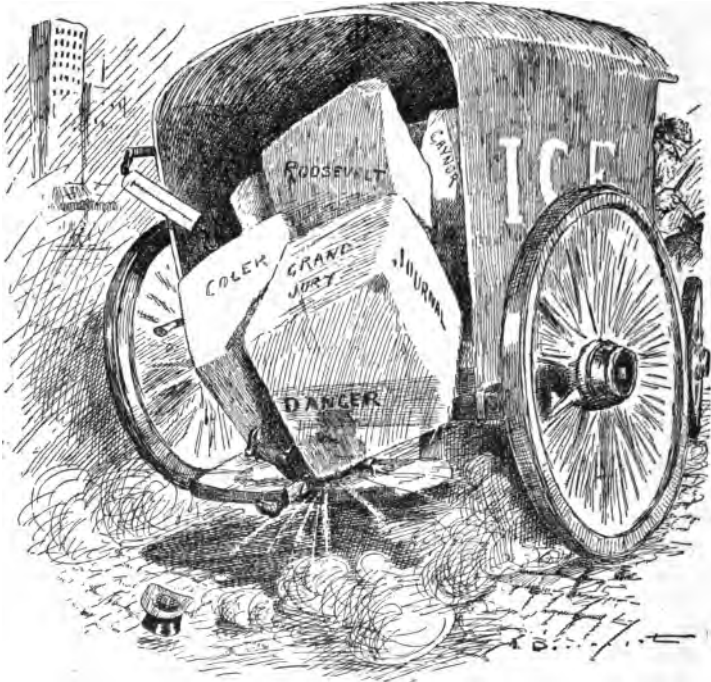
Robert A. Van Wyck, the Mayor of New York City, elected on the Tammany ticket; John F. Carroll, the deputy leader of Tammany Hall, who, in the absence of Richard Croker in Europe, was the recognized leader of the organization, and Charles W. Morse, president of the American Ice company, excited the curiosity of politicians about the first week in May this year by quietly leaving the city and going to Maine. Comptroller Bird S. Coler, in a conversation with some one, said he had heard that the mayor had gone to New England to get married. New York newspapers asked their Boston correspondents for full details of the approaching nuptials, and every one was on the qui vive to know when the happy event would take place. Many telegrams of congratulations were sent to the mayor and all wanted to know who was the bride-elect. Simultaneously the householders of the city received notices stamped on the back of their ice bills to the effect that thereafter the retail price of ice would be increased from 30 to 60 cents a hundred pounds. Wise ones then discounted the marriage story, and it was not long before it was known positively that the mayor and the acting leader of Tammany hall had gone to Maine with President Morse of the American Ice company on business connected with the ice combination. Doubling the price of ice caused great indignation throughout the city, especially as the price of ice in some of the suburbs remained practically like that of the previous summer. From that time to the present, various efforts have been made to expose the methods of the so-called ice trust, and one of the effects of the four different actions taken against the American Ice company has been to reduce the price of ice to 40 cents a hundred, and

to compel the company and its sub-agents to sell five cent pieces of ice, an accommodation which was discontinued for several weeks after the price was raised. Before mentioning in detail the four different actions against the American Ice company, a few facts concerning its formation may be stated.

Until two years ago there were many ice companies in New York City, which were actually independent organizations. Each had a little territory in which it operated to advantage, and the price of ice was kept down as low as 20 cents a hundred pounds to retail buyers. About that time there appeared upon the scene Charles W. Morse, of Maine, who had had considerable experience in the ice business. He looked over the field and came to the conclusion that trust methods, if applied to the ice business in New York City and other big Atlantic cities, would be a profitable undertaking. The principal companies in the city then were the Consolidated Ice company and the Knickerbocker Ice company, but there were many other independent ice companies. Under the direction of the man from Maine the Consolidated Ice company absorbed the Knickerbocker and other companies, so that it unquestionably had a formidable combination of the ice dealers in this city. But that in itself would not enable the consolidated company to raise the price of ice very high, its officers argued, unless it could also control the supply of ice. With the demand end of the business already in hand, the consolidated interests then set to work to control the supply. To do this it was (as was afterward shown) necessary not only to organize a new company to control the supply, but it was necessary to interest politicians in this city so that no competitors should be allowed to do business. The Knickerbocker Ice company of Maine was therefore organized to control the ice supply. To perfect that organization the Knickerbocker Ice company of Maine absorbed two ice companies in Washington, two in Baltimore and two in Philadelphia, all of which had more or less extensive ice fields along the rivers in Maine. None of these companies in the Knickerbocker of Maine did any business in New York City. In the light of subsequent events it looked as though the persons who contemplated the formation, later, of the present American Ice company had taken legal advice as to the best way to achieve their object without any violation of existing laws. In the course of investigations afterward held, it was shown that not one of the city officers had received any stock of the American Ice company, which did business in the city, but that they had been let in at "bed rock prices" on the stock of the Knickerbocker Ice Company of Maine, which did no business whatever in this city. Having interested as many city officers as was deemed necessary in this apparently foreign corporation, the prime movers in the ice combination proceeded to organize the American Ice company under the laws of the state of New Jersey, with a capital stock of \$60,-

ooo,ooo, although its whole capital consisted of nothing but the assets of the Knickerbocker Ice company and the Consolidated Ice Companies of Maine, each of which had been capitalized at only \$10,000,000. It was asserted by some of those who were pursuing the ice combination that \$10,000,000 could have bought all the property of both of the Knickerbocker and the Consolidated Ice Companies of Maine, so that there was an apparent watering of

DANGER!



THIS WOULD SEEM TO IMPLY THAT BY REASON OF CERTAIN JOURNALISTIC, EXECUTIVE AND JUDICIAL FORCES, MAYOR VAN WYCK, OF NEW YORK, IS RECEIVING THE WAGES OF INDISCRETION.

stock to the extent of \$50,000,000, although if the basis of the capitalization had really been \$20,000,000, there would be still \$40,000,000 of water stock left in the concern.

This may account for the manner in which many of the city officers came to get their stock so easily. It was shown that Mayor Van Wyck and his brother, Augustus Van Wyck (candidate for governor on the Democratic ticket two years ago), had got about 4,000 shares each of the Knickerbocker stock, valued at \$250,000,

and that John F. Carroll, the deputy leader of Tammany Hall, had a similar amount. Peter F. Meyer, president of the dock board, and a few other members of the city government were also caught with ice trust stock in their pockets. Richard Croker, the leader of Tammany hall, and his family, also held blocks of stock. When

REALLY! DOESN'T HE LOOK LIKE 30 CENTS?



THIS WOULD SEEM TO IMPLY THAT ALL TRUSTS HAVE THEIR WEAK SPOTS.

the accurate list of stockholders was made public, by getting into court, the books of the City Trust company which acts as a clearing house for all stocks listed on the New York stock exchange, Mayor Van Wyck, Richard Croker and others admitted that they held American Ice company stock, but pleaded that they had got it merely in exchange for their stock in the Knickerbocker company, which originally had not intended to do any business in the city.

Mayor Van Wyck, before Justice Gaynor of the supreme court, had to admit that he "bought his stock" at "bed rock prices," with money borrowed from the Garfield National Bank upon notes indorsed by the president of the American Ice company. The feeling in New York was and is yet unquestionably very bitter against Mayor Van Wyck and his brother, also against John F. Carroll, of Tammany Hall; but although Richard Croker talked once of deposing him as deputy leader "if he were guilty," nothing has been done in his case.

The actions brought against the American Ice company were as follows:

First, W. R. Hearst, through his attorneys, applied to Attorney General John C. Davies to prohibit the American Ice company from doing business in this state on the ground that it was a foreign corporation which had restricted trade.

Second, a criminal proceeding was brought by Mr. Hearst's attorneys against ten officers of the American Ice Company under statute which makes it a misdemeanor for any one to conspire to restrain trade.

Third, five aldermen began an investigation before Justice Gaynor of the supreme court, in the borough of Brooklyn, to ascertain whether city officers had violated the provisions of the charter which prohibits officers of the city from sharing directly or indirectly in the profits of concerns doing business with the city.

Fourth, a petition of 40,000 citizens was sent to Governor Roosevelt asking him to remove Mayor Van Wyck from office on the ground that he had been using his influence as a city officer to maintain the ice trust.

Thus far there has been no decisive action. The attorney general held an investigation, and he has already prepared his findings, a copy of which he will submit to the mayor at the same time he sends one to the governor. Courtesy will require him to give the mayor thirty days in which to answer the charges.

The attorney general acting in the first proceeding appointed a hearing to be conducted by Myer Nussbaum, of Albany, formerly state senator, and then the American Ice company scoured

From declaration of principles in the inaugural number of the Chicago "American," July 4, 1900: "The Chicago 'American' will fight for the suppression of criminal trusts. It will demand that all protective tariffs be withdrawn from oppressive trusts, whose power for evil will be minimized through the force of international free competition."—W. R. Hearst.

New York "Journal," June 10, 1900:

"Lincoln, Neb., June 7.—The 'Journal's' successful fight against the Ice Trust, resulting in a reduction in the price of ice, shows that a monopoly can raise prices if it will, and will raise prices if it can. No private monopoly should be permitted in city, state or nation. The 'Journal's' work has been useful to the people of the country at large, as well as to the people of New York.

W. J. BRYAN."

the state to get a justice of the supreme court who would stay the Nussbaum proceedings. It finally got Justice Kellogg, away up at Plattsburg, near Canada, to issue a temporary stay, and the company is waiting to hear whether the stay will be made permanent.

In the second case—the case of the criminal charge against the ice trust officers—the officers have been held under an aggregate of \$20,000 bail to await action by the grand jury. District Attorney Gardiner, a Tammany office holder, has promised to reopen the case and let another grand jury take up the case, since the first grand jury which handled the affair failed to find any indictment, having had none of the evidence laid before it.

The five aldermen got much valuable information in their investigation, showing, among other things, that the dock board, by refusing to let independent companies land ice, helped to sustain the trust. But no action has yet been taken by the aldermen.

Governor Roosevelt says that he will give the whole matter his attention as soon as he receives the report of the attorney general. The New York "Journal," Mr. Hearst's newspaper, which has been most active in pursuing the matter, says, editorially, that Governor Roosevelt can not and will not do anything toward removing Mayor Van Wyck for his connection with the ice trust, because one of the sons of United States Senator Thomas C.

From the *Congressional Record*, June 2, 1900, incorporated in the speech of George W. Ray, of New York, on the bill amending the Sherman anti-trust law, that day passed by vote of both houses:

"The following prominent Democrats are members of and large stockholders in the great ice trust operating in New York City. I take the list from the *New York World*, a Democratic paper:

['*New York World*, June 2.]

'BIG STOCKHOLDERS IN THE ICE TRUST—A PARTIAL LIST, MOST OF THE NAMES BEING FROM OFFICIAL CERTIFIED RECORDS IN POSSESSION OF THE WORLD—OFFICIAL LIST TO BE GIVEN OUT TODAY BY ATTORNEY-GENERAL.

- 'Richard Croker (Democrat), leader of Tammany Hall.
- 'F. A. Croker (Democrat), son of Richard Croker.
- 'Elizabeth Croker (Democrat).
- 'Robert A. Van Wyck (Democrat), mayor of New York.
- 'Augustus C. Van Wyck (Democrat), ex-justice of the supreme court.
- 'John F. Carroll (Democrat), deputy boss of Tammany Hall.
- 'J. Sergeant Cram, president of the dock commission.
- 'Charles F. Murphy (Democrat), dock commissioner.
- 'J. Berry Lounsbury (Democrat), confidential clerk to dock commissioner.
- 'Peter F. Meyer.
- 'H. S. Kearny (Democrat), Tammany commissioner of public buildings, lighting and supplies.
- 'Judge Rufus B. Cowing.
- 'Judge Martin F. McMahon (Democrat).
- 'Judges James Fitzgerald.
- 'Judge Joseph Newberger.
- 'The judges bought ice-trust stock as an investment, most of them on

Platt is also heavily interested in the ice trust. The "Journal," which is a Democratic paper, explains its attitude in exposing the ice trust on the ground that the ice trust is a Republican trust and the result of Republican legislation. It says that of the Democrats who were opposing trusts very few were caught red-handed with ice trust stock.

At this writing it looks as if the American Ice Company would succeed in keeping the various proceedings against it in the air as long as there is demand for ice this season.

Deputy Boss Carroll's recommendation. As they are not executive officers of the city there was no official impropriety in such investment.

'Hugh J. Grant (Democrat), former mayor of New York.

'Thomas F. Gilroy (Democrat), former mayor of New York.

'Hugh McLaughlin (Democrat), boss of Kings County Democracy.

'George V. Brower, park commissioner, Brooklyn.

'W. H. Gelshenen (and family), president of the Garfield National Bank (the Croker-Carroll ice-trust bank).

'Anthony N. Brady (Democrat), of Albany.

'Bell & Co. (Democrats), Richard Croker's brokers.

'Robert Maclay, former president of board of education.

'Arthur Sewall (Democrat), of Maine, Democratic candidate for vice-president in 1896.

'Charles T. Barney.

'Leander A. Bevin.

'H. H. Brockway.

'G. S. Odell, New York.

'John E. McDonald, New York.

'H. R. Hoyt, New York.

'Arthur Braun, New York.'"

THE DEPARTMENT STORE.

It Is the Interest of the Department Store to Oppose Monopoly in Both Making and Selling.

Condensed from an address by the Hon. John Wanamaker, Philadelphia, on "The Evolution of Mercantile Business," before the American Academy of Political & Social Science, Philadelphia, April 19-20, 1900, and published in "Corporations and Public Welfare":

The basis of the new order of business, the natural growth of a quarter of a century, and its principal claim to favor is, that it distributes to the consumer in substance, or cash compounded, earnings hitherto wasted unnecessarily on middlemen. The or-

From Berlin letter (June 26, 1900) in Chicago "Tribune," July 14: "Among the last acts of the Prussian diet was the passage of the bill imposing a special graduated tax upon department stores. The passage of this law has caused deep depression in the ranks of the commercial classes and the radical parties. They believe it foreshadows a general attack upon commercial freedom, and argue that there is as much justification for a special tax upon big factories or big farms as there is for a tax upon large mercantile establishments. The tax is admittedly in the interest of special 'single line' stores and small tradesmen generally. The finance minister and vice-president of the Prussian ministry, Dr. Johannes von Miquel, did not undertake to defend the measure as the expression of the permanent policy of the state to render department stores impossible. He said it was designed to give the small tradesmen and the 'single line' shops a breathing spell in which to organize associations for the purpose of purchasing as cheaply as the department stores are able to do and for mutual assistance in other respects. No one really anticipates that the law will diminish the competition of the department stores or will be of any real assistance to the small tradesmen.

"The department store managers have already notified manufacturers, seamstresses, and other persons from whom they have been procuring the various articles dealt in by them or made for them that such persons will be expected to bear the tax. The tax will be collected for the year 1901 for the first time. Department stores which are now in existence will pay only half the tax the first year. The bill divides articles of retail trade into four categories. Whoever sells articles in two or more classes must pay the tax, provided his sales exceed 400,000 marks annually (a mark is about twenty-five cents). Branch establishments are reckoned as part of a single business. Mail order business is taxed like sales in the

ganization of the department store neither denies rights to others nor claims privileges of state franchises, or favoritism of national tariff laws. If there is any suffering from it it is by the pressure of competition and not by the pressure of monopoly. So long as competition is not suppressed by law monopoly cannot exist in storekeeping; and the one quarter of the globe that cannot be captured by trusts is that of the mercantile trading world. It is an easily proven fact that the operation of the American retail system has reduced the prices of many classes of goods one-half in twenty years. The new American system of storekeeping is the most powerful factor yet discovered to compel minimum prices.

Taking the number of employes in the old-time smaller store at an average of five it would require, when the full complement of employes is on the pay-roll of a large department store,

shop. The tax upon sales of 400,000 marks and not exceeding 450,000 is 4,000 marks annually. The scale increases with the sales according to the following table:

"Sales between 450,000 and 500,000 marks pay 5,500 marks.

"Between 500,000 and 550,000 marks pay 7,500.

"Between 550,000 and 600,000 marks pay 8,500.

"Between 600,000 and 650,000 marks pay 9,500.

"Between 650,000 and 700,000 marks pay 10,500.

"Between 700,000 and 750,000 marks pay 11,500.

"Between 750,000 and 800,000 marks pay 12,500.

"Between 800,000 and 850,000 marks pay 13,500.

"Between 850,000 and 900,000 marks pay 15,000.

"Between 900,000 and 950,000 marks pay 16,500.

"Between 950,000 and 1,000,000 marks pay 18,000.

"Between 1,000,000 and 1,100,000 marks pay 20,000.

"Between 1,100,000 and 1,200,000 marks pay 22,000.

"For every added 100,000 marks of sales there is to be paid 2,000 marks additional taxes. Sales under 10,000 marks a year pay at least 200 marks. This does not apply to branches which may exist before the law goes into effect and which may prove their sales do not exceed 400,000 marks a year. Should the tax exceed 20 per cent of the net income of the department store it may be diminished, but in no case below half the amount of the tax.

"The classification is as follows:

"1. Groceries, table delicacies, etc., liquors, beer, wines, table waters, etc., tobaccos, cigars, cigarettes, smoking utensils, pharmaceutical goods, drugs, perfumeries, etc.

"2. Yarns, twines, thread, passementerie goods, underclothing, stockings and other knit goods, dry goods, clothing, cloaks, furs, beds and bedding, furniture, curtains, carpets, etc.

"3. House and kitchen utensils, garden tools, stoves, glassware, porcelain, stoneware, furniture, curtains, carpets, etc.

"4. Silversmiths' and goldsmiths' goods, jewelry, art goods, paper, articles from paper, books, music, arms, cycles, sporting and hunting utensils, sewing machines, toys, optical, physical, medical and musical instruments and apparatus.

"It is stipulated that the division of a department store into several independent shops will not operate to prevent the collection of the tax when the 'accompanying circumstances' show that this is done to evade the law."

as many as 1,200 stores to furnish as much employment, while the total payment of salaries would be very much higher in the large store than under the small store system. In 1870, in Philadelphia, there were 16,560 dealers with mercantile licenses. The city's population was then 674,022 and the number of stores to every 10,000 of population was 245. Today the mercantile licenses of Philadelphia number at least 34,000, and the number of stores per 10,000 of population, the population being about 1,300,000, is 267. This maintenance of the small store does not show the tendencies of the department store to be monopolistic. It is the interest of the department store to be hostile to monopoly in any branch of manufacturing or selling. If all the storekeepers of any one city were to combine they could not hold together twelve months, because of the power of manufacturers to become retailers, and the competition of independent storekeepers in every other city. The department store cannot control the costs of production, but it can modify costs of distribution and its own profits. Its principle is the minimum of profit to create the maximum of business. Success in some branches of mercantile life has its intense individuality, but only where personal ability and character can be translated into a franchise can a retail business become a valuable entity.

A WARNING AND A HOPE.

The Currency Law in the Hands of Gold Standard Defenders and in the Hands of Free Silver Reformers.

The New York "Commercial and Financial Chronicle," foremost journal of its class in America, in its issue of July 28, 1900, has an article of much importance on "The Currency Law of 1900 Under the Interpretation of Mr. Bryan." The "Chronicle" holds to the view that it does not follow, because the currency law seems an insurmountable obstacle to the free coinage of silver, that this law will therefore keep the gold standard inviolable. The "Chronicle" declares that if Mr. Bryan becomes president he "will show the utmost vigilance a fertile brain is capable of in devising ways and means for favoring the one idea which has become entangled in his every thought. It is a leading dogma in his religious creed. * * * No one can doubt that an earnest, enthusiastic man * * * would first of all on assuming the office of president surround himself with advisers thoroughly in accord with his dominant principle, opinion and desire. * * * The then existing government would so regulate the enforcement of the 1900 law as to make that action aid in reaching the goal of Mr. Bryan's ambition, 16 to 1 coinage. * * * Anyone can see that the machinery here (in the currency law) provided, if managed by a hand friendly to the gold standard, would probably be adequate to meet every adverse contingency that can be imagined as likely to happen. On the other hand, is it not obvious that, at a time of acute discredit—such as occurred twice in President Cleveland's administration—there is an opportunity here to wreck our standard and bring on silver payments without defying or disobeying the law?"

From "Matthew Marshall's" weekly financial article in New York "Sun" and Chicago "Inter Ocean," published July 29, 1900:

"Mr. Bryan's election would almost inevitably carry with it the election of a Democratic house of representatives, the first act of which would be to pass a bill restoring silver to free and unlimited coinage at the ratio of 16 to 1. How such a bill would

fare in the senate can be guessed from the fate of the bill to repeal the silver-purchase clause of the Sherman act in 1893. That bill was passed by the house of representatives and sent to the senate on Aug. 28, 1893. The senate, being silverite by a large majority, refused for two months to concur with the house, but succumbed at last to executive pressure and allowed the bill to become a law on Nov. 1.

"The Republican majority in the present senate is far smaller than the silverite majority was in that of 1893, and Mr. Bryan would be able to subjugate it much more easily than Mr. Cleveland subjugated that of the silverites. To reckon upon the senate, therefore, as a barrier to silver legislation by a silverite house of representatives led by a silverite president, and to vote accordingly, would be folly.

"Without passing a free-silver coinage bill, however, and without the support of a silverite Congress, a silverite president such as Mr. Bryan assuredly would be could do immense financial harm to the country. Ill-informed Republican speakers and writers boasted, when the currency act of last March was passed, that it established the gold standard so firmly that it could not be overthrown in six years, at least, and probably never. How little this boast was justified by reliance upon the senate has just been demonstrated, and even a house of representatives and a senate together opposed to silver could not prevent a silverite president from suspending gold payments by the treasury and thus depreciating the whole currency of the nation below the gold standard.

"The new currency act was the result of a compromise, not so much between conflicting financial views as between those of political exigency. The Republican party had not in 1896 dared to pronounce in favor of an exclusively gold standard, but held out a promise of bimetallism by international agreement, and though in the new currency act it has reaffirmed the gold standard established by the mint act of 1873, it has still felt obliged to repeat its declaration in favor of international bimetallism, and to maintain "the legal-tender quality, as now provided by law, of the silver dollar."

"While, too, the act provides for the redemption in gold of government notes, it makes no such provision for the redemption of silver dollars or of the certificates representing them. Nor does it define the word 'coin,' used in the government bonds issued previously, as meaning gold coin only. The result is that the 500,000,000, more or less, of silver dollars already coined, the 100,000,000 still to be coined out of the bullion in the treasury purchased under the Sherman act, the \$36,000,000 of national bank notes assumed by the government, the principal and interest of about \$600,000,000 of government bonds, and the ordinary expenses of the government, are all unaffected by the new act,

so that the secretary of the treasury may, without violating it, offer to the public creditors in payment of more than two-thirds of their claims money not convertible into gold at par on demand. Should he do this, it would, as to those claims, amount to a suspension of gold payments, and the usual consequences of such a suspension would follow.

"It is true that the bill makes it 'the duty' of the secretary to maintain the parity with gold of all forms of money issued or coined by the United States, but no penalty is declared for a failure to perform it, and its performance could be enforced only by the slow and doubtful process of impeachment.

"The case is similar to that of the act of 1878, requiring redeemed legal tender notes to be reissued. That act has been disregarded by all the secretaries of the treasury who have held office since it was passed, and no effort has been made to punish one of them. It has been practically construed as permissive only, and so it might be with the maintenance of the parity with gold of our currency under the new currency act.

"The omission from the currency act of provisions for redeeming silver dollars in gold, and for compelling by penalties the secretary of the treasury to maintain gold payments, was evidently intentional, and was dictated by a desire not to offend too much the sentiment in favor of silver still lingering in the Republican party. To conciliate further this sentiment, the act directs the substitution of silver dollars and silver certificates for the treasury notes issued under the Sherman act, which, by the terms of that act, are redeemable in gold at the discretion of the secretary of the treasury.

"Moreover, to prove that the new act was not intended to make

Gen. James B. Weaver, speaking on "The Money Trust," at the National Anti-Trust Conference, said of the currency bill then pending, and now a law: "It creates a vast speculative money trust and places its management in the hands of corporations which are to operate it for private gain; it deposes the government from its rightful and constitutional exercise of the most important function of sovereignty; it provides for the increase or decrease of the volume of money at the will of the trust; it impairs the obligation of all classes of contracts for the payment of money now outstanding; it enables the trust to throw all classes of money, except gold, upon the treasury for redemption in gold and thus creates a vacuum for their own notes, and affords a pretext for an issue of bonds; it transforms nearly one thousand millions of money now in use among the people into a debt payable on demand in gold; it provides for an ever-increasing bonded debt which is to be the basis of a banking system which is to expand with population; if the debt is paid the banks are destroyed. Thus two crimes become confederated, and one is made the apology for the other; it provides the machinery for the increase of the public debt from year to year and from generation to generation by the action of one man—the secretary of the treasury—without consulting either congress or the people; it makes that officer the autocrat and sole judge in every emergency. * * * The money trust is a law made trust, and it is the foster-parent and life-giver to the whole brood of vampires

all our currency as good as gold, it contains a provision for the issue of gold certificates specifically payable in gold, which would be superfluous unless the possibility of suspending the redemption in gold of other kinds of money was contemplated. For, if the act placed this redemption beyond all doubt, then the plain legal tender notes would be, in effect, gold certificates, and the issue of certificates specifically payable in gold would be unnecessary.

"Without going into other matters, it will be evident from what has been said that the new currency act is not a finality. Scientific finance demands that it be amended by including distinctly the silver dollars and the silver certificates among the kinds of money that are to be convertible on demand into gold, and, as a consequence, by providing that with the silver now held in the treasury for the redemption of the silver certificates gold shall be purchased."

that are now sucking the good red blood of legitimate trade. By controlling the quantity of money they regulate its value in the same way that any other trust controls the price of its wares by destroying competition and controlling the output. By limiting the money output they also control the price of all things which must be exchanged for money.

"Edmund Burke said the East India Company was 'a state disguised as a merchant.' To paraphrase Burke, the corporation is the state disguised as a bank. The conflict is irrepressible and there is no middle ground. The banks grasp at imperial and complete control and will divide this function with no one—not even the government. Common business safety requires that no corporation organized for private gain shall ever be permitted to issue or retire one dollar of circulating paper. The history of the world is full of warning against the perilous scheme. Those who administer our government are responsible to the people and can be quickly displaced from power. This is one of the reserved rights which can never be dispensed with. Trust magnates and those who control great banking institutions hold their positions for life. Neither they nor their successors are chosen by the people or amenable to them. Trust coteries legislate and plan their raids upon the marts of industry in secret and there is no defense. They strike suddenly and without mercy or warning."

THE LEXOW INVESTIGATION.

Conclusions of a Committee of the New York Legislature That Investigated Trusts in 1897.

On January 20, 1897, the New York legislature authorized a joint committee of the Senate and Assembly to investigate trusts. The majority of the committee, Senator Clarence Lexow, chairman, reported March 9, 1897. The committee began its sessions Feb. 5, in New York City, and continued them until Feb. 25. The report of the committee, largely composed of testimony taken, is contained in a book of 1,223 pages. Among the thirty-eight witnesses were Henry O. and Theodore A. Havemeyer, John Arbuckle, James H. Post, John E. Searles, Charles R. Flint, Charles F. Pope, F. B. Thurber and Samuel Sloan. In the testimony comprising the record, the committee "succeeded in presenting a comprehensive disclosure of the origin, development, aims and methods of that so-called modern commercial evolution popularly denominated 'trust.'"

The committee declared that "a trust in the sense in which it is popularly taken is a misnomer. Trust agreements no longer form the basis for the union of the constituent elements of a combination, whether of corporations or of individuals, which has for its purpose the repression of competition or the control of product or market. When in 1890 the court of appeals of this state pronounced its final judgment against the system of trust organization then in vogue, the 'trust' became a thing of the past, existing trust agreements were dissolved, and under the permission of existing laws the constituent elements, held together under such agreements, became incorporated in the state of New Jersey and in other jurisdictions; either by accident or design, the law of incorporation was so adjusted that by the simplest formality a trust declared unlawful and a conspiracy against public welfare might continue its career, operating through the same agencies, pursuing the same methods and actuated by the same aims and purposes as before, but within the permission of the local law based on a mere change in form of organization. The corporation laws of the state of New York at that time differed essentially from the laws of the state of New Jersey in that they did not, as did the latter, permit the acquisition by one corporation of the capi-

tal stock of another, and consequently there followed an immediate migration of trusts to the state of New Jersey to secure corporate charters there, and thus avoid complications in which the decision of the court of appeals threatened to involve them."

"Interpreting combinations of capital to be the gathering together under one management of the collective contributions of many for strictly business purposes, involving economy in the several stages which result in the final distribution of the product to the consumer, we define the trust to be an aggregation brought about for the purpose of operating against the natural laws of supply and demand, destroying competition by combination and unfair methods in order to secure control of both product and market, or permitting competition to exist only colorably and to the extent of refuting the charge of absolute monopoly. The one moves with the natural law; the other is designed to and does operate against the natural law."

Considering the advantages claimed for trusts the committee said:

"The main advantage is stated to be that of economy in production reflected in lower prices to the consumer. We find nothing upon the record to justify any such conclusion."

"Another advantage which is said to flow from combination is that of a more perfect product. There is nothing upon the record to justify this conclusion."

"Another advantage is alleged to be that of better wages and more constant employment of labor. We are equally unable to reach this conclusion. No part of the product arising from admitted economies, and resulting in large dividends on inflated stocks, has reached labor in the form of increased wages, while the claim of constancy of employment is negated by the fact that factories in operation for a generation have been closed and that workingmen, more or less continually employed for years in a factory independently operated, have been discharged upon its absorption by the combination. Combinations owning factories located in different states are thereby enabled to and do at will, here and there, close factories permanently or for long periods of time; possessing factories of a capacity sufficient to supply all demands, with a surplus of 40 per cent, they may at any time cause factories in many localities to remain temporarily or permanently idle and thus reduce the worker to a condition of absolute uncertainty."

"Still another alleged advantage is that of stability of price to the consumer. This must be admitted. But the question is whether the fixing of a stable price operates to his advantage. It is an abnormal and not a natural condition—a price fixed at the maximum that the consumer will pay consistent with the marketing of the largest volume of product practicable."

The committee considered overcapitalization without suggesting a remedy. It considered foreign incorporation and depre-

cated any departure upon the part of the state of New York, abating "its policy of reasonable regulation and proper scrutiny," to secure colorable incorporations and an annual pittance.

The committee considered factors' agreements, "a plan or system according to which, in lieu of direct sales, the fiction of consignment is adopted to support a transaction, which, in every essential element, is an absolute sale. An interesting feature was the almost painful effort of the Wholesale Grocers' association on the one hand to claim absolute responsibility for the system, and of the combinations, on the other hand, to disavow any responsibility for it. That the effect of the system was, and was intended to be, the extinction of competition, was admitted with refreshing candor. Certain it is that its effects destroy competition at the only point where a capitalistic monopoly would be powerless to prevent competition, and supplement the control of production by another combination which controls the methods of distribution, and fixes the price without regard to competitors or to the law of supply and demand."

The committee made certain recommendations about foreign corporations, and submitted a bill which was enacted May 7, 1897. This law contains a provision investing the attorney general with power for the examination of witnesses under subpoena to be issued on his application *ex parte* by a justice of the supreme court, said subpoena conferring the constitutional guarantee of absolute immunity on those testifying.

THE MAN WITH HIS PANTS IN HIS BOOTS.

He who Grows the Bread Proposes to Study Combination and Adopt Trust Methods.

Topeka (Kas.) dispatch in Chicago "Inter Ocean," Aug. 4, 1900: "The formation of a stupendous farmer's trust to control prices of all agricultural products is the object of a national conference of farmers and farmers' organizations which was today called to meet in Topeka, Aug. 7, by James Butler, of Topeka, secretary of the Farmers' Federation. It is proposed to organize a corporation with \$20,000,000 capital, with shares of \$10 each. Each farmer holding a share is entitled to enjoy all the privileges of the trust. Warehouses are to be established in several of the larger eastern cities, through which all agricultural products are to be handled and sold. The promoters believe they can thus control prices of agricultural products. Live stock is to be handled the same way. In a statement issued today Secretary Butler says: 'The object of the farmers' conference is to federate all agricultural organizations into one company for the sale of grain and live stock, and to take steps to fix minimum prices on staple farm products based on the average cost of production. There is in the neighborhood of 80,000,000 bushels of wheat in Kansas this year. It will require about 15,000,000 bushels to feed and seed the state. This leaves about 65,000,000 bushels of wheat for sale. Is it not sensible for the farmers to combine the wheat and sell through their own company by their own agent? The grain dealers have organized to maintain, and do maintain, the same margins on wheat they handle. Their profit is the same, no matter what the price of wheat is. They back each other and make their business flourish like a green bay tree without regard to the effect it may have on the farmers. It is now time for the farmers to organize and protect themselves. The trust features are so closely interwoven with the Grain Dealers' association that the latter may be very justly considered as agents of the grain syndicate. The fight of the farmers against trusts has proven a failure. They should form combinations, leaving out the evil features; then, in a plain, business way, adopt business methods that will benefit the toiling masses.'"

THE STANDARD OIL IN FINANCE.

**Late Statistics Showing Concentrated Capital in Form Called
by Many the "Money Power" or "Money Trust."**

New York Dispatch in Chicago Tribune, Aug. 5, 1900:—The Standard Oil Company is rapidly developing its hold upon the financial institutions of the country, as well as upon the public funds of the United States. The great National City bank, which is the home of the money of the Standard Oil Company, is gradually increasing its strength by the purchase of the control of other New York banks.

The capitalists behind this bank now practically control the Hanover National, the Second National, the Bank of the Metropolis, and the National Park Bank, and have within the last ten days obtained control of the Lincoln National Bank, one of the strongest of the up-town institutions. Within the last year the Standard Oil crowd has obtained control of the First National Bank of Chicago, of which Lyman J. Gage, Secretary of the Treasury, was formerly President.

In addition to the banks the Standard Oil Company now controls three of the most important trust companies in the City of New York—namely: the United States Trust Company, the Farmers' Loan and Trust Company, and the Central Trust Company.

The total capital stock of this group of financial institutions controlled by the Standard Oil Company is \$22,900,000, while their surplus is \$44,023,724, and their loans aggregate \$342,775,200.

One of the startling features of the power and influence of this group of banks and trust companies owned by the Rockefellers is the fact that their deposits form about one-fifth of the entire amount of money in circulation in the United States. They had in their vaults on Saturday the enormous sum of \$432,092,200; of these deposits \$21,640,100 were United States treasury funds.

The following table shows the condition of the leading Standard Oil institutions, with their capital, surplus, loans, deposits, and government deposits:

National City Bank—Capital, \$10,000,000; surplus, \$5,298,600; loans, \$95,494,000; deposits, \$118,099,400; government deposits, \$15,600,000.
Hanover National—Capital, \$3,000,000; surplus, \$5,014,100; loans, \$42,784,000; deposits, \$49,724,000; government deposits, \$5,562,100.

Second National—Capital, \$300,000; surplus, \$799,000; loans, \$8,552,000; deposits, \$9,433,000.

Bank of the Metropolis—Capital, \$300,000; surplus, \$963,000; loans, \$6,854,000; deposits, \$7,295,200.

Lincoln National—Capital, \$300,000; surplus, \$890,100; loans, \$10,481,000; deposits, \$12,135,600; government deposits, \$250,000.

National Park—Capital, \$2,000,000; surplus, \$3,306,200; loans, \$44,310,000; deposits, \$56,555,000.

First National of Chicago—Capital, \$3,000,000; surplus, \$2,000,000; loans, \$25,000,000; deposits, \$43,500,000; government deposits, \$228,000.

Chicago *Inter Ocean*, Aug. 4, 1900: "The *Financier* gives an interesting statement bearing upon the National City Bank. The specie holdings by this bank July 21 amounted to \$34,482,300, or three times the amount held by any other bank in the city. Including legal tenders of \$5,526,500, the reserve amounted to \$40,008,900. The bank held, therefore, July 21, 16.3 per cent of the cash held by the sixty-three clearing-house banks in New York city. Furthermore, the City Bank held nearly half of the excess reserve of all the clearing-house banks. The local money market is for the time being essentially controlled by this bank. The reserve of the City Bank exceeded the total reserve reported by forty-four banks in Chicago and St. Louis. Holdings of cash by the City Bank, July 21, were practically equal to the cash holdings of all the national banks in Chicago, Boston, and Cleveland, and its reserve was equal to the reserve held by 829 banks in the eastern and middle states."

From address by General F. S. Monnett, of Ohio, at National Anti-Trust Conference: "Every dollar that the Rockefellers or the Rodgers or the Pratts of their six hundred millions made out of the Standard Oil trust, so far as the common welfare is concerned, that has been pocketed by them to the extent that it resulted from profits in excess of a fair return for the money actually invested in such governmental property and while exercising such governmental functions, especially in the transportation companies, and the Buckeye Pipe Line Company, the Union Tank Line Company and the telegraph company; every dollar of the favors obtained by rebates from railroad corporations, and the favors they have obtained from freight discriminations between tank car rates of freight as compared with the part carload rates of competitors, and every dollar they have received by favoritism shown for loading and unloading their own commodities, every dollar they have ever saved by special favors shown in their terminal charges, every dollar they have received by fictitious under-billing and overweighing, as compared with their competitor and victims, who were, at all times and everywhere, entitled to the same rates by these corporations so exercising governmental functions, I say, every such dollar accumulated has been as wrongfully wrung from the pockets of the owners of the oil rock in Ohio and Pennsylvania, as wrongfully extracted from the washerwoman's purse as she fills her oil can at the corner grocery, as any dollar that a congressman, or a federal, state or county officer ever took from the treasury by embezzlement, while he, in his capacity, was exercising governmental functions simply under another name or office."

From address of George Fred Williams, of Massachusetts, at National Anti-Trust Conference: "With respect to the so-called remedy of publicity in the accounts and transactions of monopolies, it must be said that such a plan is at best superficial and practically ineffective. What does it avail that the Standard Oil Company admits the payment of dividends of 33 per cent in 1898? And if we also know that this sum represents more than the entire value of the plant of the monopoly paid by the public to the owners each year? We are no further ahead in obtaining justice by knowing how much is wrongfully wrested from the people. We have provision in the state of Massachusetts for filing of accounts by many

United States Trust Company—Capital, \$2,000,000; surplus, \$10,000,000; loans, \$28,300,00; deposits, \$52,100,000.

Farmers' Loan and Trust Company—Capital, \$1,000,000; surplus, \$5,525,124; loans, \$33,000,000; deposits, \$41,700,000.

quasi-public corporations, but these accounts are juggled and confused so that the change from secrecy to publicity has hardly created a ripple upon the surface. It is idle to waste time in perfecting our knowledge, already sufficient to show the terrible draft of capital upon our national wealth."

"In New York city the banks and trust companies have practically formed a trust, through consolidations, interchange of directors, and intimidation of the smaller. The Standard Oil Company is the organizer and backer of this combine. Through railroad discriminations it ruined its competitors in oil. Through bank discriminations it is swallowing the other trusts. Credit is the very breath of life for modern business. The bank monopoly dwarfs every other monopoly because sooner or later it can depress their stocks and force them to sell. Having gotten the bank monopoly, every other corporation is eager to have a Standard Oil man on its board of directors. He has more influence than the entire board, for he controls their credit and the credit of their competitors. The greatest railroad in the world welcomes a Standard Oil director to its board."—Prof. John R. Commons, on "Discriminations and Trusts," at National Anti-Trust Conference.

New York "Commercial and Financial Chronicle," Aug. 4, 1900: "The check in the expansion of the business of the trust companies of New York state, noted at the time of the filing of their returns for the 1st of January, 1900, proves to have been only temporary. While the totals have been of large proportions for some time they are now assuming marvelous dimensions. Indeed, the growth and expansion which have occurred within a few years constitute one of the most noteworthy developments of recent times. While the contraction in resources the last six months of 1899 amounted, roughly, to \$50,000,000, the increase the first six months of 1900 reached over \$124,000,000. The total now exceeds that of a year ago by \$74,000,000. The aggregate resources of the New York trust companies now stand at \$796,483,877. In two years there has been an addition of \$269,000,000, or over 50 per cent. The resources of the United States Trust Company, the largest, are now \$85,802,301.

"Considering deposits the record is much the same. The last six months of 1899 they fell off \$71,000,000; the first six months of 1900 they expanded \$117,000,000. The total deposits of the trust companies of the state is now over \$640,000,000. The loans of the trust companies, July 1, 1900, were \$370,000,000. Collateral loans are the favorite form of investment. On the same date the uninvested cash was \$131,888,581."

New York "Commercial and Financial Chronicle," Aug. 4, 1900: "In acquiring a large interest in the Lincoln Bank (a Vanderbilt institution) Mr. James Stillman, president of the National City bank, has pursued the policy which he adopted soon after assuming the presidency of the City bank, of broadening the sphere of influence of his institution through the acquisition of interests, either individually or through his board of directors, in banks and other financial corporations, not only in this city but in various cities in the country. In this way he has practically established branches of his bank in important business centers, greatly to the advantage of the City bank, and of benefit also to the institutions which he in part or entirely controls through stock ownership. Thus within a comparatively recent period he has secured the Second National, the Bank of the Metropolis, and now the Lincoln National, and shortly there will be organized in the interest of the City bank another, the Fidelity bank, on

Central Trust Company—Capital, \$1,000,000; surplus, \$10,257,000; loans, \$48,000,000; deposits, \$43,000,000.

Totals—Capital, \$22,900,000; surplus, \$44,023,724; loans, \$342,775,000; deposits, \$432,092,200; government deposits, \$21,640,100.

Madison avenue. Besides these the City has intimate relations, through stock ownership, with the United States Trust Company, the New York Security & Trust Company (resources \$21,352,982), and with other trust institutions in this city, as well as with banks and trust companies in the interior."

THE TRUST AND ITS CONSTITUTIONAL RIGHTS.

"There Are No State Lines for the Individual or Corporation Carrying on Interstate Commerce."

From "The Legal Aspects of Trusts," by Joseph S. Auerbach, in *North American Review*, September, 1899:

"These corporations are, as a rule, not created for the purpose set forth in the greater number of these state statutes, nor do their operations bring them within those statutes. They become the purchasers of the property of other corporations; the new corporation is a larger corporation than any of those whose property has passed to its control; no pool, trust, combination or monopoly is intended or results. The statutes of the states having failed to fix a limit to the amount of property which may be possessed by such a corporation, they have no concern with the amount or character of its assets.

"In the formation of these corporations the main feature which might be thought to constitute a restraint of trade or commerce or of competition is the contract usually exacted by the purchaser of the vendors that they will not within a specified territory for a given time engage in business similar to that disposed of. But such contracts have been upheld, by the Supreme Court of the United States, both prior and subsequent to the anti-trust act of Congress.

"Assuming such to be the purpose and effect of the formation of these corporations, no state law can restrict their operations when admitted to a domicile within their territory, nor can the state, by taxation or otherwise, interfere with them if engaged in interstate commerce, even though not admitted to the privileges of domicile. Created there, or domiciled there, they must not be

From the address of General F. S. Monnett, of Ohio, at the National Anti-Trust Conference: "An attorney-general of your state, using the high and important writ of ouster of or quo warranto, in the highest court of your state, and in behalf of the people in the state, can accomplish more in the way of electrocuting monopolies and trusts than all the resolutions of trades unions, municipal reform leagues, tax reform disciples, industrial commissions, Wednesday morning clubs and long-winded investigations and party platforms, prepared by high-salaried trust magnates, will do in the next decade. Trusts, combines, monopolies and crim-

interfered with; for, in the opinion of the Supreme court of the United States corporations are entitled to the protection of that part of the fourteenth amendment which declares that no state shall 'deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws.' Moreover, no state shall pass any law impairing the obligation of a contract, whether that contract be executory or executed, express or implied."

The Supreme court has held that each state shall judge of the conditions under which its foreign corporations shall be admitted to do business within its territory, but it has been also held that when the question involved is one of interstate commerce a foreign corporation stands upon the same footing as an individual. A state cannot exclude a foreign corporation if such is engaged in interstate or foreign commerce. It cannot even tax the agents or solicitors of such corporations for the privilege of doing business within its territory, much less exclude them.

"Corporations domiciled in New Jersey and trading elsewhere have nothing to fear and no favors to ask of any hostile state. Such state may say that they shall not be domiciled there; that they shall not own real estate there except on its own terms. The state may exclude the corporations altogether from a domicile, but it may go no further. These corporations may come and go from one end of the land to the other to carry on interstate commerce, and no state barriers or regulations shall affect them. There are no state lines for the individual or corporation carrying on that commerce."

What questions then have been set at rest by decisions which are the law of the land?

The restraint of trade and commerce referred to in all anti-trust statutes must be express and direct and at the same time unreasonable.

Contrary decisions of the courts of any of the states are opposed to those of the courts of the United States, which declare that

inals, tax dodgers and express robbers, are not solicitous, so long as they can satisfy public clamor with industrial commissions, reform clubs and magazine articles, or so long as they can keep a successful lobby between the people and the legislative halls—so long as they can keep the executive officers from dragging them into the presence of the court.

"Allow me to repeat and impress that the state is sovereign in the legislative halls, imperial in the executive and omnipotent in the judicial, if it will only exercise such powers to protect the common man in the general welfare of the people, and to right these wrongs and preserve unto all *equal opportunities*. The weakness of our government has been that we have not asserted this sovereignty until oppression became overpowering.

It needs no new government; it needs no political platform; this evil neither requires free silver nor gold standard, double tax nor single tax. It needs men to execute the laws that we have. It needs the courts to

freedom of contract is a property right under the constitution of the United States and is inviolate.

Though the state courts are bound thus to construe these statutes, the several states may even, from caprice, eject from their territory or refuse admission to any foreign corporations—and all corporations in states other than the state of their creation are deemed to be foreign corporations—to the extent that such corporations seek to secure there a legal status or domicile. There the authority of the state must stop, and it must leave untrammelled in every way these corporations when engaged, as nearly all of them are, in interstate trade and commerce.

Not only cannot interstate commerce be in any way destroyed, interfered with or obstructed; it cannot even be taxed, though the tax be only such as is laid by the state on its domestic commerce. It is not a question of discrimination. The right does not exist to impose any tax.

weigh out exact justice against the rich, powerful and mighty with the same even hand that it should to the poor man."

Chicago *Inter Ocean*, Aug. 2, 1900: "Nineteen members of the Chicago Photo-Engravers' Association were convicted before Judge Hutchinson on Tuesday of violating the Illinois anti-trust law. The attorney said to have drafted the trust agreement was also indicted, but escaped the officers. The defendants were charged with forming an unlawful combination to regulate and fix the prices of photo-engravings, half-tone prints, and zinc etchings. They waived a jury trial and were heard before Judge Hutchinson about two months ago. Sentence was deferred pending a motion for new trial. The convicted men may be fined from \$200 to \$1,000 each, or imprisoned in the county jail one year, or both, in the court's discretion. The court held it was clear that the accused had conspired to commit an unlawful act. It was not necessary that the unlawful act intended should have been actually committed. The common law forbids combinations in 'unreasonable' restraint of trade. The Illinois statute, Judge Hutchinson seems to hold, has stricken out the word 'unreasonable' out of the common-law definition. It has declared any combination to fix prices unreasonable and a conspiracy. If the higher courts sustain this interpretation, the way to the suppression of trusts lies open. Judge Hutchinson's decision indicates that for the suppression of trusts no revolutionary measures are necessary. Only clear legislative definitions of unlawful acts and common-sense application of common law principles are needed. If the people are prepared to declare that every combination to regulate prices is unreasonable and a conspiracy, they can, through their representatives, give such definitions the force of law. But such laws must be general and apply to all classes of citizens. If the people, through their representatives, wish to restrict their own freedom with such laws, the courts will do the rest, and the trusts will be suppressed as fast as the evidence can be obtained."

THE POPULISTS' FINANCIAL POLICY.

The People's Party Pledges Itself Never to Cease Agitation Until the Greenback is Restored.

From the platform of the Populist National party, adopted at Sioux Falls, S. D., May 11, 1900:

"Resolved, That we denounce the act of March 14, 1900, as the culmination of a long series of conspiracies to deprive the people of their constitutional rights over the money of the nation and relegate to the gigantic money trust the control of the purse, and hence of the people. We denounce this act:

"(1.) For making all money obligations, domestic and foreign, payable in gold coin or its equivalent, thus enormously increasing the burdens of the debtors and enriching the creditors.

"(2.) For refunding 'gold bonds' not to mature for years into long-time gold bonds, so as to make their payment improbable and our debt perpetual.

"(3.) For taking from the treasury over fifty millions of dollars in a time of war and presenting it at a premium to bondholders to accomplish the refunding of bonds not due.

"(4.) For doubling the capital of bankers by returning to them the face value of their bonds in current money notes, so that they may draw one interest from the government and another from the people.

"(5.) For allowing banks to expand and contract their circulation at pleasure, thus controlling prices of all products.

"(6.) For authorizing the secretary of the treasury to issue new gold bonds to an unlimited amount whenever he deems it necessary to replenish the gold hoard, thus enabling usurers to secure more bonds and more bank currency by drawing gold from the treasury, thereby creating an 'endless chain' for perpetually adding to a perpetual debt.

"(7.) For striking down the greenback in order to force the people to borrow \$346,000,000 more from the banks at an annual cost of over \$20,000,000.

"While barring out the money of the constitution this law opens the printing mints of the treasury to the free coinage of bank paper money, to enrich the few and impoverish the many.

"We pledge anew the people's party never to cease the agitation until this eighth financial conspiracy is blotted from the statute books, the Lincoln greenback restored, the bonds all paid and all corporation money forever retired.

"We reaffirm the demand for the reopening of the mints of the United States to the free and unlimited coinage of silver and gold at the present legal ratio of 16 to 1, the immediate increase in the volume of silver coins and certificates thus created to be substituted, dollar for dollar, for the bank notes issued by private corporations under special privilege granted by the law of March 14, 1900, and prior national banking laws, the remaining portion of the bank notes to be replaced with full legal tender government paper money and its volume so controlled as to maintain at all times a stable money market and a stable price level."

The problem is how to lift the masses of the people to a higher plane of life—not how to increase the riches of the few while the poverty of the masses continues. First, do justice. The plucking of the workers still goes on. Industrial slavery must be abolished as chattel slavery has been. Second, increase production, for the greater the productive power of the community the greater its wealth. Third, organize; life is organization. The trusts are in the line of progress. They are doing a great work in democracy and an industrial oligarchy. The great effort of the near future, in which all will be forced to take part, will be to establish an industrial democracy, and to that struggle events are rapidly drifting. The trusts are simply hastening the crisis. * * * The new industrial system which is approaching, and which will abolish the last stronghold of slavery, is commonly known as socialism. It is also sometimes called nationalism, mutualism, or co-operation, and the new era it will usher in is commonly called the co-operative commonwealth. The method it will force upon society is to substitute public ownership of the means of production and distribution in place of the present private ownership. The socialist is an evolutionist.—JAMES B. SMILEY (Chicago) in pamphlet, "To What are Trusts Leading?"

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Associated Press dispatch from Duluth, August 7, 1900 (condensed): On the ground of consistency, candor and self-respect, Charles A. Towne, Silver Republican, nominated to the vice-presidency by the People's Party, in national convention, at Sioux Falls, May 9 and 10, 1900, declines, this day, the nomination. Mr. Towne endorses the Democratic platform and Mr. Bryan.

AN OLD ENGLISH RULING.

An Agreement in Restraint of Trade Is Void; One in Partial Restraint May Be Good or Bad According to the Consideration.

In "Smith's Leading Cases" will be found the famous case of *Mitchel v. Reynolds*, decided by an English court in the year 1711. In this case the defendant had leased to the plaintiff a bakehouse for five years. But if the defendant should, within that term, resume the business of a baker, within a certain London parish, he should within three days pay the plaintiff fifty pounds; whereupon his obligation to refrain from his trade would become void. The court, addressing itself to the question whether this bond, being made in restraint of trade, was good, found for the plaintiff. In the course of its opinion the court gave utterance to these principles and observations:

"We are all of opinion that a special consideration being set forth in the condition, which shows it was reasonable for the parties to enter into it, the same is good; and that the true distinction of this case is, not between promises and bonds, but between contracts *with* and *without* consideration; and that wherever a sufficient consideration appears to make it a proper and a useful contract, and such as cannot be set aside without injury to a fair contractor, it ought to be maintained; but with this constant diversity, viz., where the restraint is general not to exercise a trade throughout the kingdom, and where it is limited to a particular place; for the former of these must be void, being of no benefit to either party, and only oppressive. It can never be useful to any man to restrain another from trading in all places, though it may be to restrain him from trading in same, unless he intends a monopoly."

In its statement of the law with respect to restraint of trade the court differentiated the precedent cases as follows: First, the cases are of involuntary restraints against, or without a man's own consent; second, of voluntary restraints by agreement of the parties.

Involuntary restraints are, first, grants or charters from the crown; second, customs; third, by-laws. Grants or charters may be

others, and this is void. Grants or charters may be a grant to particular persons for the sole exercise of any known trade, and this is void, because it is a monopoly, and against the policy of the common law, and contrary to Magna Charta. Grants or charters may be a grant of the sole use of a new invented art, and this is good.

Restraints by custom are such as are for the benefit of some particular persons, who are alleged to use a trade for the advantage of a community. These are good. Restraints by custom may be for the benefit of a community of persons who are not alleged, but suppose to use the trade, in order to exclude foreigners. Furthermore, a custom may be good to restrain a trade in a particular place, though none is either supposed or alleged to use it.

Restraint by by-laws may be to exclude foreigners, and this is good if only to enforce a precedent custom by a penalty; but where there is no precedent such by-law is void. All by-laws made to cramp trade in general are void. By-laws made to restrain trade, in order to the better government and regulation of it, are good in some cases, if to benefit the place or avoid public inconveniences, nuisances, etc.

Voluntary restraints are general or particular. General restraints are all void, whether by bond, covenant, or promise, etc., with or without consideration, and whether it be of the party's own trade or not. Particular restraints are either, first, without consideration, all of which are void whatever the contract; or, second, particular restraints are with consideration. Where a contract for restraint of trade appears to be made upon a good and adequate consideration, so as to make it a proper and useful contract, it is good.

The court made certain observations as follows:

"That to obtain the sole exercise of any known trade throughout England is a complete monopoly, and against the policy of the law.

"That when restrained to particular places or persons (if lawfully and fairly obtained), the same is not a monopoly.

"That since these restraints may be by custom, and custom must have a good foundation, therefore the thing is not absolutely, and in itself, unlawful.

"That it is lawful upon good consideration for a man to part with his trade.

"That since actions upon the case are actions *injuriarum*, it has always been held that such actions will be for a man's using a trade contrary to custom, or his own agreement, for there he uses it injuriously.

"That where the law allows a restraint of trade, it is not unlawful to enforce it with a penalty.

"That no man can contract not to use his trade at all.

a new charter of incorporation to trade generally, exclusive of all
"That a particular restraint is not good without just reason and consideration."

The court concluded: "In the case at bar the plaintiff took a baker's house, and the question is whether he or the defendant should have the trade of this neighborhood. The concern of the public is equal on both sides. What makes this the more reasonable is, that the restraint is exactly proportioned to the consideration, viz., the term of five years. Small restraints of trade, where nothing more appears, the law presumes them bad; but if the circumstances are set forth, that presumption is excluded, and the court is to judge of those circumstances, and determine accordingly; and if upon them it appears to be a just and honest contract it ought to be maintained."

In brief the English rule is, to sum it up in the words of a decision in another case, "any agreement by bond or otherwise in *general restraint* is illegal and void. But such a security given to effect a *partial restraint* of trade may be good or bad, according as the consideration is adequate or inadequate."

* * * * *

American courts have declared an agreement in general restraint of trade both as to time and space to be void, although the consideration is good; but that contracts in partial restraint of trade are not void for that reason.

THE FEDERAL STEEL COMPANY.

The Far-Reaching Economics of Production That a Great Combination May Attain.

In an instructive chapter on "Methods of Organization and Management," in his book, "The Trust Problem," Prof. Jenks illustrates the far-reaching economics of combination as shown in the case of the Federal Steel company :

"It should be noted that among the various forms of combinations there are two kinds, essentially different in nature. The first is made up of companies that have been active competitors before the combination was made, as in the case of the original Sugar trust and Whisky trust. In these cases the combination was sought for the special purpose of lessening competition, together with the elimination of the competitive wastes. The combination simply took different competitors out of the market and enabled the price of the product to be fixed by the central organization.

"In the second kind of combination, the constituent members have often not been competitors in the same line of work before the combination was made, though they each seek a share of the value of the final product. Instead of being competitors in the same line of business, they have been producers of different products at different stages in the same industry. For example, the Federal Steel company is a combination of several companies that were not competitors. The Minnesota Iron company owns iron ore property, also the Duluth and Iron Range Railroad company, which connects its mines with Lake Superior at two points. It owns ore docks and also twenty-two steel lake vessels that can carry a large proportion of its products each year. The Federal Steel company bought all its stock. It also bought all of the stock of the Lorain Steel company, which manufactures chiefly steel rails for street railways, although some steel billets ; it bought all the stock of the Johnson company, which is engaged chiefly in manufacturing frog switches and crossings for street railroads, as well as electric motors. Another company, all the stock of which it purchased, is the Illinois Steel company with several

plants, which produce pig iron, steel rails, steel billets, steel plates, etc. This company is also the owner of the stock of the Chicago Lake Shore & Eastern Railway, which connects its plants in the neighborhood of Chicago, and also gives these plants an outlet to the general market over all the railroads in the country. It also owns large tracts of coal property on which it manufactures coke used in its plants. From this statement it will be seen that the Federal Steel company by its formation lessened only to a very slight extent, if at all, the competition in the same lines which had existed before. Its purpose was different. Through the combination the mines are furnished with a sure customer, provided they need one, for a large part at least of their output; while, on the other hand, The Illinois Steel company, in its manufacture of steel rails, billets, etc., is assured of a steady supply of its ore for the carrying on of its manufacture. In this way contracts can be taken for a long period of time in advance with perfect certainty of their being carried out on time without any excessive losses that might otherwise come from possible changes in the price of ore. Before the organization, of course, each of these separate companies tried to get the largest share possible of the value of the finished product. Now, while the contest may be the same, the motive has been weakened. The profit which the mine foregoes, may be made by the rolling mill or the fleet of transports. It is, of course, true that the business of each one of these separate companies is managed independently; it is still further true that at times the mining company can sell its ore to better advantage to outside manufacturers than to the other constituent members of the Federal Steel company, they in turn buy-

"The Trust Problem," by Jeremiah Whipple Jenks, Ph.D., given to the public last month, "is not," in the author's words, "intended primarily for the student of economic theory, but as a brief, impartial statement of facts and principles." Prof. Jenks holds the chair of political science in Cornell University, is expert agent to the United States Industrial Commission, and consulting expert to the United States Department of Labor. The book is addressed to busy men, and, with simplicity and self-restraint, admirably meets its purpose. It is the result of twelve years of personal investigation. Prof. Jenks is now in Europe, and proposes to embody his discoveries in a more complete study of the whole problem of monopoly. Prof. Jenks' judicial attitude of mind toward the problem is well conveyed in this his definition of trusts in the present book: "Trusts are taken to mean manufacturing corporations with so great capital and power that they are at least thought by the public to have become a menace to their welfare, and to have, temporarily at least, considerable monopolistic power."

ing their ore to better advantage from some other mine. But, while the work can be ordinarily, and is ordinarily carried on independently, and while at times each of the separate constituent companies deals largely with outsiders, this perfect union in management enables them to be secure at all times as regards the supply of raw material on the one hand, and a proper sale of the raw product on the other, advantages that can by no means be lost sight of.

"Some other companies without any formal organization are managed in largely the same way. For example, the Amercian Tin Plate company, the National Steel company, and the American Steel Hoop company, while entirely independent in their organization, have nevertheless to a considerable extent the same men as large stockholders and as directors."

THE INCORPORATIONS OF 1900.

**The Authorized Capitalization of the First Six Months
Amounts to \$1,584,050,000.**

In the sections on "Trust Stocks or Industrials," "A Partial Catalogue of Trusts," and "A Price List of Leading Industrials," will be found the information preliminary to the following from the "Chicago Banker," July, 1900:

"The June record of incorporations in the principal Eastern states of companies of \$1,000,000 authorized capital or more is the smallest of any month thus far this year, with the exception of February, the total capitalization of such companies during the month just ended being only \$166,200,000. The totals for the six months are as follows:

January	\$203,750,000
February	124,350,000
March	502,900,000
April	325,250,000
May	261,600,000
June	166,200,000

Total for six months.....\$1,584,050,000

"The features of the compilation for June are the small total of New Jersey companies, a marked increase in Delaware's figures, and the absence of companies of exceptionally large capital. The total capital for the respective states included in the list is as follows:

New Jersey	\$ 43,700,000
Delaware	33,000,000
West Virginia	83,500,000
Miscellaneous	6,000,000

\$166,200,000

"It may be of interest to note that the aggregate capitalization of companies chartered during the month with a capital of less than \$1,000,000 was, approximately, \$52,500,000. The largest

company in the current month's list is the National Sugar Refining company, which has an authorized capital of \$20,000,000. The next largest is the International Construction company, a Delaware corporation, capitalized at \$7,000,000. There were three companies chartered in Delaware with a capital of \$5,000,000 each, and twelve in West Virginia, \$5,000,000 being the limit of capitalization in the latter state."

One of the largest items in the above list was the Interoceanic Canal company, incorporated in April, authorized capitalization \$100,000,000. The charter was taken out at that time to prevent forfeiture under a time limit. The same month the Siegel-Cooper company was incorporated, the corporation to embrace the Chicago and New York stores. Stock was offered to the public as well as to employees: but a day or two after the invitation was given to the public to subscribe it was withdrawn. This same month the American Bridge company was authorized to capitalize at \$100,000. It will eventually expand this to \$70,000,000. In the January list the largest is the Ontario Lake Superior company (mineral and timber), authorized capitalization \$20,000,000. Its charter is under Connecticut law. The Consolidated Electric Car Lighting and Equipment company, authorized capitalization \$16,000,000, is the next largest. The War Eagle Consolidated Mining company (Northwest mining properties) has an authorized capitalization of \$15,000,000. The Federal Publishing company has an authorized capitalization of \$6,000,000. Both are January incorporations.

MONOPOLIES OF MINERAL WEALTH.

The Ownership of Natural Resources Tends to Concentrate Within a Few Hands.

Condensed from "Monopolies and the People," by Charles Whiting Baker, editor *Engineering News*, second edition, 1899:

The large iron and steel corporations have secured to a large extent the best deposits of iron and coking coal to insure more perfectly the absolute control of the market. To defeat combination among producers they have done this for self-protection. Of course iron ore is widely and abundantly scattered, but there is no need to control anything but the best and most economical sources of production to create a monopoly. In coal numerous monopolies exist. "The anthracite supply in Pennsylvania is controlled by the railways which tap the anthracite region, and which have for years been joined in an agreement to maintain freight rates on anthracite at a high rate, amounting to two or three times the rate per ton-mile paid on soft coal. In bituminous coal, combinations among the mines supplying a given market, are very common, and are effectual in raising the price to a point that will materially increase profits without opening the market to coal from and more distant fields. The tendency for these combinations to take the form of actual consolidation is a notable one; and when such consolidations occur, the task of forming mutual agreements between the producers of different fields at points where their products compete is rendered easy. A combination has existed for some years among the firms which supply New York city and vicinity with terra cotta fireproofing materials. Even common brick clay has been monopolized. In 1898 a syndicate got control of the clay deposits in the Hudson valley from which New York has long obtained its chief supply of brick. The American Brick company, capital \$15,000,000, now controls the future brick supply of the metropolis.

In copper the monopolies of greatest note are those due to possession by private owners of the deposits of greatest richness. In zinc combinations to fix prices have been frequent the past decade, but not generally lasting. Production in diamonds by the

Kimberley mines, in South Africa, is fixed at what the world's markets will absorb without a fall in prices. In 1898 the De Beers Consolidated Mines company paid over \$9,000,000 to security holders. The borax trade of the United States has for years been controlled by the Pacific Coast Borax company. The world's supply of potash salts is got from Germany. A syndicate fixes prices for the world at the beginning of each year. The Rothschilds largely control the production of quicksilver. A foreign syndicate is also said to control platinum. The sulphur deposits of Sicily are now worked by one company. The Vermont Marble company has for many years been the chief factor in the marble market, though its dominance is due to facilities rather than to control of quarries.

ADDENDA.—News Notes:

Berlin dispatch in daily papers, August 8, 1900: Dr. William Liebknecht, well-known member of the Reichstag, and one of the leaders of socialism in Germany, died yesterday at Charlottenburg. He was born at Giessen in 1826 and was editor of the "Vorwaerts," the socialist organ.

New York dispatch in Chicago "Tribune," August 8, 1900: "A dividend of \$8 a share was declared today, payable September 15, on Standard Oil stock, of which \$97,500,000 is now outstanding. This makes 38 per cent in dividends declared so far this year, against 23 per cent declared for the first three-quarters of 1899. The dividend for the September quarter last year was 5 per cent, but the present dividend is a reduction from those declared for the previous quarters of the present year. In June 10 per cent was paid and in March 20 per cent. No official statement was issued today in connection with the dividend announcement, but in the speculation as to the circumstances which induced the directors to reduce the dividend it was generally assumed that it was due to losses sustained in the fire at Bayonne, which started on the night of July 4. The losses from the fire were generally placed at the time at more than \$2,000,000. This would be approximately the amount of the dividend reduction."

Topeka (Kan.) dispatch in Chicago "Inter Ocean," August 7, 1900 (condensed): Preliminary steps to form a farmers' trust were taken here tonight. States represented in the conference were Illinois, Nebraska, Minnesota, Ohio, North Dakota, South Dakota, Oklahoma, Indiana and Kansas. The committee on organization approved a plan by Walter N. Allen, one of the founders of the Farmers' alliance, who has already secured a charter for a corporation, with an authorized capital stock of \$20,000,000, divided into shares of \$10 each. The trust proposes to establish warehouses and commission houses in Kansas City, Chicago, Minneapolis, Galveston and New York. Any farmer holding a share of stock is entitled to have his agricultural products and live stock handled by the trust at a nominal commission. Whenever the trust deems it expedient to raise the price of any product it proposes to withhold that product from the market for a time, advancing to needy farmers whose product is withheld sufficient money to tide them along.

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THE LEXOW INVESTIGATION.

Conclusions of a Committee of the New York Legislature That Investigated Trusts in 1897.

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The committee declared that "a trust in the sense in which it is popularly taken is a misnomer. Trust agreements no longer form the basis for the union of the constituent elements of a combination, whether of corporations or of individuals, which has for its purpose the repression of competition or the control of product or market. When in 1890 the court of appeals of this state pronounced its final judgment against the system of trust organization then in vogue, the 'trust' became a thing of the past, existing trust agreements were dissolved, and under the permission of existing laws the constituent elements, held together under such agreements, became incorporated in the state of New Jersey and in other jurisdictions; either by accident or design, the law of incorporation was so adjusted that by the simplest formality a trust declared unlawful and a conspiracy against public welfare might continue its career, operating through the same agencies, pursuing the same methods and actuated by the same aims and purposes as before, but within the permission of the local law based on a mere change in form of organization. The corporation laws of the state of New York at that time differed essentially from the laws of the state of New Jersey in that they did not, as did the latter, permit the acquisition by one corporation of the capi-

tal stock of another, and consequently there followed an immediate migration of trusts to the state of New Jersey to secure corporate charters there, and thus avoid complications in which the decision of the court of appeals threatened to involve them."

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Considering the advantages claimed for trusts the committee said:

"The main advantage is stated to be that of economy in production reflected in lower prices to the consumer. We find nothing upon the record to justify any such conclusion."

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"Another advantage is alleged to be that of better wages and more constant employment of labor. We are equally unable to reach this conclusion. No part of the product arising from admitted economies, and resulting in large dividends on inflated stocks, has reached labor in the form of increased wages, while the claim of constancy of employment is negated by the fact that factories in operation for a generation have been closed and that workingmen, more or less continually employed for years in a factory independently operated, have been discharged upon its absorption by the combination. Combinations owning factories located in different states are thereby enabled to and do at will, here and there, close factories permanently or for long periods of time; possessing factories of a capacity sufficient to supply all demands, with a surplus of 40 per cent, they may at any time cause factories in many localities to remain temporarily or permanently idle and thus reduce the worker to a condition of absolute uncertainty."

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The total capital stock of this group of financial institutions controlled by the Standard Oil Company is \$22,900,000, while their surplus is \$44,023,724, and their loans aggregate \$342,775,200.

One of the startling features of the power and influence of this group of banks and trust companies owned by the Rockefellers is the fact that their deposits form about one-fifth of the entire amount of money in circulation in the United States. They had in their vaults on Saturday the enormous sum of \$432,092,200; of these deposits \$21,640,100 were United States treasury funds.

The following table shows the condition of the leading Standard Oil institutions, with their capital, surplus, loans, deposits, and government deposits:

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Chicago *Inter Ocean*, Aug. 4, 1900: "The *Financier* gives an interesting statement bearing upon the National City Bank. The specie holdings by this bank July 21 amounted to \$34,482,300, or three times the amount held by any other bank in the city. Including legal tenders of \$5,526,500, the reserve amounted to \$40,008,900. The bank held, therefore, July 21, 16.3 per cent of the cash held by the sixty-three clearing-house banks in New York city. Furthermore, the City Bank held nearly half of the excess reserve of all the clearing-house banks. The local money market is for the time being essentially controlled by this bank. The reserve of the City Bank exceeded the total reserve reported by forty-four banks in Chicago and St. Louis. Holdings of cash by the City Bank, July 21, were practically equal to the cash holdings of all the national banks in Chicago, Boston, and Cleveland, and its reserve was equal to the reserve held by 829 banks in the eastern and middle states."

From address by General F. S. Monnett, of Ohio, at National Anti-Trust Conference: "Every dollar that the Rockefellers or the Rodgers or the Pratts of their six hundred millions made out of the Standard Oil trust, so far as the common welfare is concerned, that has been pocketed by them to the extent that it resulted from profits in excess of a fair return for the money actually invested in such governmental property and while exercising such governmental functions, especially in the transportation companies, and the Buckeye Pipe Line Company, the Union Tank Line Company and the telegraph company; every dollar of the favors obtained by rebates from railroad corporations, and the favors they have obtained from freight discriminations between tank car rates of freight as compared with the part carload rates of competitors, and every dollar they have received by favoritism shown for loading and unloading their own commodities, every dollar they have ever saved by special favors shown in their terminal charges, every dollar they have received by fictitious under-billing and overweighing, as compared with their competitor and victims, who were, at all times and everywhere, entitled to the same rates by these corporations so exercising governmental functions, I say, every such dollar accumulated has been as wrongfully wrung from the pockets of the owners of the oil rock in Ohio and Pennsylvania, as wrongfully extracted from the washerwoman's purse as she fills her oil can at the corner grocery, as any dollar that a congressman, or a federal, state or county officer ever took from the treasury by embezzlement, while he, in his capacity, was exercising governmental functions simply under another name or office."

From address of George Fred Williams, of Massachusetts, at National Anti-Trust Conference: "With respect to the so-called remedy of publicity in the accounts and transactions of monopolies, it must be said that such a plan is at best superficial and practically ineffective. What does it avail that the Standard Oil Company admits the payment of dividends of 33 per cent in 1898? And if we also know that this sum represents more than the entire value of the plant of the monopoly paid by the public to the owners each year? We are no further ahead in obtaining justice by knowing how much is wrongfully wrested from the people. We have provision in the state of Massachusetts for filing of accounts by many

A WARNING AND A HOPE.

The Currency Law in the Hands of Gold Standard Defenders and in the Hands of Free Silver Reformers.

The New York "Commercial and Financial Chronicle," foremost journal of its class in America, in its issue of July 28, 1900, has an article of much importance on "The Currency Law of 1900 Under the Interpretation of Mr. Bryan." The "Chronicle" holds to the view that it does not follow, because the currency law seems an insurmountable obstacle to the free coinage of silver, that this law will therefore keep the gold standard inviolable. The "Chronicle" declares that if Mr. Bryan becomes president he "will show the utmost vigilance a fertile brain is capable of in devising ways and means for favoring the one idea which has become entangled in his every thought. It is a leading dogma in his religious creed. * * * No one can doubt that an earnest, enthusiastic man * * * would first of all on assuming the office of president surround himself with advisers thoroughly in accord with his dominant principle, opinion and desire. * * * The then existing government would so regulate the enforcement of the 1900 law as to make that action aid in reaching the goal of Mr. Bryan's ambition, 16 to 1 coinage. * * * Anyone can see that the machinery here (in the currency law) provided, if managed by a hand friendly to the gold standard, would probably be adequate to meet every adverse contingency that can be imagined as likely to happen. On the other hand, is it not obvious that, at a time of acute discredit—such as occurred twice in President Cleveland's administration—there is an opportunity here to wreck our standard and bring on silver payments without defying or disobeying the law?"

From "Matthew Marshall's" weekly financial article in New York "Sun" and Chicago "Inter Ocean," published July 29, 1900:

"Mr. Bryan's election would almost inevitably carry with it the election of a Democratic house of representatives, the first act of which would be to pass a bill restoring silver to free and unlimited coinage at the ratio of 16 to 1. How such a bill would

fare in the senate can be guessed from the fate of the bill to repeal the silver-purchase clause of the Sherman act in 1893. That bill was passed by the house of representatives and sent to the senate on Aug. 28, 1893. The senate, being silverite by a large majority, refused for two months to concur with the house, but succumbed at last to executive pressure and allowed the bill to become a law on Nov. 1.

"The Republican majority in the present senate is far smaller than the silverite majority was in that of 1893, and Mr. Bryan would be able to subjugate it much more easily than Mr. Cleveland subjugated that of the silverites. To reckon upon the senate, therefore, as a barrier to silver legislation by a silverite house of representatives led by a silverite president, and to vote accordingly, would be folly.

"Without passing a free-silver coinage bill, however, and without the support of a silverite Congress, a silverite president such as Mr. Bryan assuredly would be could do immense financial harm to the country. Ill-informed Republican speakers and writers boasted, when the currency act of last March was passed, that it established the gold standard so firmly that it could not be overthrown in six years, at least, and probably never. How little this boast was justified by reliance upon the senate has just been demonstrated, and even a house of representatives and a senate together opposed to silver could not prevent a silverite president from suspending gold payments by the treasury and thus depreciating the whole currency of the nation below the gold standard.

"The new currency act was the result of a compromise, not so much between conflicting financial views as between those of political exigency. The Republican party had not in 1896 dared to pronounce in favor of an exclusively gold standard, but held out a promise of bimetallism by international agreement, and though in the new currency act it has reaffirmed the gold standard established by the mint act of 1873, it has still felt obliged to repeat its declaration in favor of international bimetallism, and to maintain "the legal-tender quality, as now provided by law, of the silver dollar."

"While, too, the act provides for the redemption in gold of government notes, it makes no such provision for the redemption of silver dollars or of the certificates representing them. Nor does it define the word 'coin,' used in the government bonds issued previously, as meaning gold coin only. The result is that the 500,000,000, more or less, of silver dollars already coined, the 100,000,000 still to be coined out of the bullion in the treasury purchased under the Sherman act, the \$36,000,000 of national bank notes assumed by the government, the principal and interest of about \$600,000,000 of government bonds, and the ordinary expenses of the government, are all unaffected by the new act,

so that the secretary of the treasury may, without violating it, offer to the public creditors in payment of more than two-thirds of their claims money not convertible into gold at par on demand. Should he do this, it would, as to those claims, amount to a suspension of gold payments, and the usual consequences of such a suspension would follow.

"It is true that the bill makes it 'the duty' of the secretary to maintain the parity with gold of all forms of money issued or coined by the United States, but no penalty is declared for a failure to perform it, and its performance could be enforced only by the slow and doubtful process of impeachment.

"The case is similar to that of the act of 1878, requiring redeemed legal tender notes to be reissued. That act has been disregarded by all the secretaries of the treasury who have held office since it was passed, and no effort has been made to punish one of them. It has been practically construed as permissive only, and so it might be with the maintenance of the parity with gold of our currency under the new currency act.

"The omission from the currency act of provisions for redeeming silver dollars in gold, and for compelling by penalties the secretary of the treasury to maintain gold payments, was evidently intentional, and was dictated by a desire not to offend too much the sentiment in favor of silver still lingering in the Republican party. To conciliate further this sentiment, the act directs the substitution of silver dollars and silver certificates for the treasury notes issued under the Sherman act, which, by the terms of that act, are redeemable in gold at the discretion of the secretary of the treasury.

"Moreover, to prove that the new act was not intended to make

Gen. James B. Weaver, speaking on "The Money Trust," at the National Anti-Trust Conference, said of the currency bill then pending, and now a law: "It creates a vast speculative money trust and places its management in the hands of corporations which are to operate it for private gain; it deposes the government from its rightful and constitutional exercise of the most important function of sovereignty; it provides for the increase or decrease of the volume of money at the will of the trust; it impairs the obligation of all classes of contracts for the payment of money now outstanding; it enables the trust to throw all classes of money, except gold, upon the treasury for redemption in gold and thus creates a vacuum for their own notes, and affords a pretext for an issue of bonds; it transforms nearly one thousand millions of money now in use among the people into a debt payable on demand in gold; it provides for an ever-increasing bonded debt which is to be the basis of a banking system which is to expand with population; if the debt is paid the banks are destroyed. Thus two crimes become confederated, and one is made the apology for the other; it provides the machinery for the increase of the public debt from year to year and from generation to generation by the action of one man—the secretary of the treasury—without consulting either congress or the people; it makes that officer the autocrat and sole judge in every emergency. * * * The money trust is a law made trust, and it is the foster-parent and life-giver to the whole brood of vampires

all our currency as good as gold, it contains a provision for the issue of gold certificates specifically payable in gold, which would be superfluous unless the possibility of suspending the redemption in gold of other kinds of money was contemplated. For, if the act placed this redemption beyond all doubt, then the plain legal tender notes would be, in effect, gold certificates, and the issue of certificates specifically payable in gold would be unnecessary.

"Without going into other matters, it will be evident from what has been said that the new currency act is not a finality. Scientific finance demands that it be amended by including distinctly the silver dollars and the silver certificates among the kinds of money that are to be convertible on demand into gold, and, as a consequence, by providing that with the silver now held in the treasury for the redemption of the silver certificates gold shall be purchased."

that are now sucking the good red blood of legitimate trade. By controlling the quantity of money they regulate its value in the same way that any other trust controls the price of its wares by destroying competition and controlling the output. By limiting the money output they also control the price of all things which must be exchanged for money.

"Edmund Burke said the East India Company was 'a state disguised as a merchant.' To paraphrase Burke, the corporation is the state disguised as a bank. The conflict is irrepressible and there is no middle ground. The banks grasp at imperial and complete control and will divide this function with no one—not even the government. Common business safety requires that no corporation organized for private gain shall ever be permitted to issue or retire one dollar of circulating paper. The history of the world is full of warning against the perilous scheme. Those who administer our government are responsible to the people and can be quickly displaced from power. This is one of the reserved rights which can never be dispensed with. Trust magnates and those who control great banking institutions hold their positions for life. Neither they nor their successors are chosen by the people or amenable to them. Trust coteries legislate and plan their raids upon the marts of industry in secret and there is no defense. They strike suddenly and without mercy or warning."

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National Park—Capital, \$2,000,000; surplus, \$3,306,200; loans, \$44,310,000; deposits, \$56,555,000.

First National of Chicago—Capital, \$3,000,000; surplus, \$2,000,000; loans, \$25,000,000; deposits, \$43,500,000; government deposits, \$228,000.

Chicago *Inter Ocean*, Aug. 4, 1900: "The *Financier* gives an interesting statement bearing upon the National City Bank. The specie holdings by this bank July 21 amounted to \$34,482,300, or three times the amount held by any other bank in the city. Including legal tenders of \$5,526,500, the reserve amounted to \$40,008,900. The bank held, therefore, July 21, 16.3 per cent of the cash held by the sixty-three clearing-house banks in New York city. Furthermore, the City Bank held nearly half of the excess reserve of all the clearing-house banks. The local money market is for the time being essentially controlled by this bank. The reserve of the City Bank exceeded the total reserve reported by forty-four banks in Chicago and St. Louis. Holdings of cash by the City Bank, July 21, were practically equal to the cash holdings of all the national banks in Chicago, Boston, and Cleveland, and its reserve was equal to the reserve held by 829 banks in the eastern and middle states."

From address by General F. S. Monnett, of Ohio, at National Anti-Trust Conference: "Every dollar that the Rockefellers or the Rodgers or the Pratts of their six hundred millions made out of the Standard Oil trust, so far as the common welfare is concerned, that has been pocketed by them to the extent that it resulted from profits in excess of a fair return for the money actually invested in such governmental property and while exercising such governmental functions, especially in the transportation companies, and the Buckeye Pipe Line Company, the Union Tank Line Company and the telegraph company; every dollar of the favors obtained by rebates from railroad corporations, and the favors they have obtained from freight discriminations between tank car rates of freight as compared with the part carload rates of competitors, and every dollar they have received by favoritism shown for loading and unloading their own commodities, every dollar they have ever saved by special favors shown in their terminal charges, every dollar they have received by fictitious under-billing and overweighing, as compared with their competitor and victims, who were, at all times and everywhere, entitled to the same rates by these corporations so exercising governmental functions, I say, every such dollar accumulated has been as wrongfully wrung from the pockets of the owners of the oil rock in Ohio and Pennsylvania, as wrongfully extracted from the washerwoman's purse as she fills her oil can at the corner grocery, as any dollar that a congressman, or a federal, state or county officer ever took from the treasury by embezzlement, while he, in his capacity, was exercising governmental functions simply under another name or office."

From address of George Fred Williams, of Massachusetts, at National Anti-Trust Conference: "With respect to the so-called remedy of publicity in the accounts and transactions of monopolies, it must be said that such a plan is at best superficial and practically ineffective. What does it avail that the Standard Oil Company admits the payment of dividends of 33 per cent in 1898? And if we also know that this sum represents more than the entire value of the plant of the monopoly paid by the public to the owners each year? We are no further ahead in obtaining justice by knowing how much is wrongfully wrested from the people. We have provision in the state of Massachusetts for filing of accounts by many

United States Trust Company—Capital, \$2,000,000; surplus, \$10,000,000; loans, \$28,300,000; deposits, \$52,100,000.

Farmers' Loan and Trust Company—Capital, \$1,000,000; surplus, \$5,525,124; loans, \$33,000,000; deposits, \$41,700,000.

quasi-public corporations, but these accounts are juggled and confused so that the change from secrecy to publicity has hardly created a ripple upon the surface. It is idle to waste time in perfecting our knowledge, already sufficient to show the terrible draft of capital upon our national wealth."

"In New York city the banks and trust companies have practically formed a trust, through consolidations, interchange of directors, and intimidation of the smaller. The Standard Oil Company is the organizer and backer of this combine. Through railroad discriminations it ruined its competitors in oil. Through bank discriminations it is swallowing the other trusts. Credit is the very breath of life for modern business. The bank monopoly dwarfs every other monopoly because sooner or later it can depress their stocks and force them to sell. Having gotten the bank monopoly, every other corporation is eager to have a Standard Oil man on its board of directors. He has more influence than the entire board, for he controls their credit and the credit of their competitors. The greatest railroad in the world welcomes a Standard Oil director to its board."—Prof. John R. Commons, on "Discriminations and Trusts," at National Anti-Trust Conference.

New York "Commercial and Financial Chronicle," Aug. 4, 1900: "The check in the expansion of the business of the trust companies of New York state, noted at the time of the filing of their returns for the 1st of January, 1900, proves to have been only temporary. While the totals have been of large proportions for some time they are now assuming marvelous dimensions. Indeed, the growth and expansion which have occurred within a few years constitute one of the most noteworthy developments of recent times. While the contraction in resources the last six months of 1899 amounted, roughly, to \$50,000,000, the increase the first six months of 1900 reached over \$124,000,000. The total now exceeds that of a year ago by \$74,000,000. The aggregate resources of the New York trust companies now stand at \$796,483,877. In two years there has been an addition of \$269,000,000, or over 50 per cent. The resources of the United States Trust Company, the largest, are now \$85,802,301.

"Considering deposits the record is much the same. The last six months of 1899 they fell off \$71,000,000; the first six months of 1900 they expanded \$117,000,000. The total deposits of the trust companies of the state is now over \$640,000,000. The loans of the trust companies, July 1, 1900, were \$379,000,000. Collateral loans are the favorite form of investment. On the same date the uninvested cash was \$131,888,581."

New York "Commercial and Financial Chronicle," Aug. 4, 1900: "In acquiring a large interest in the Lincoln Bank (a Vanderbilt institution) Mr. James Stillman, president of the National City bank, has pursued the policy which he adopted soon after assuming the presidency of the City bank, of broadening the sphere of influence of his institution through the acquisition of interests, either individually or through his board of directors, in banks and other financial corporations, not only in this city but in various cities in the country. In this way he has practically established branches of his bank in important business centers, greatly to the advantage of the City bank, and of benefit also to the institutions which he in part or entirely controls through stock ownership. Thus within a comparatively recent period he has secured the Second National, the Bank of the Metropolis, and now the Lincoln National, and shortly there will be organized in the interest of the City bank another, the Fidelity bank, on

Central Trust Company—Capital, \$1,000,000; surplus, \$10,257,000; loans, \$48,000,000; deposits, \$43,000,000.

Totals—Capital, \$22,900,000; surplus, \$44,023,724; loans, \$342,775,000; deposits, \$432,092,200; government deposits, \$21,640,100.

Madison avenue. Besides these the City has intimate relations, through stock ownership, with the United States Trust Company, the New York Security & Trust Company (resources \$21,352,982), and with other trust institutions in this city, as well as with banks and trust companies in the interior."

THE TRUST AND ITS CONSTITUTIONAL RIGHTS.

"There Are No State Lines for the Individual or Corporation Carrying on Interstate Commerce."

From "The Legal Aspects of Trusts," by Joseph S. Auerbach, in *North American Review*, September, 1899:

"These corporations are, as a rule, not created for the purpose set forth in the greater number of these state statutes, nor do their operations bring them within those statutes. They become the purchasers of the property of other corporations; the new corporation is a larger corporation than any of those whose property has passed to its control; no pool, trust, combination or monopoly is intended or results. The statutes of the states having failed to fix a limit to the amount of property which may be possessed by such a corporation, they have no concern with the amount or character of its assets.

"In the formation of these corporations the main feature which might be thought to constitute a restraint of trade or commerce or of competition is the contract usually exacted by the purchaser of the vendors that they will not within a specified territory for a given time engage in business similar to that disposed of. But such contracts have been upheld, by the Supreme Court of the United States, both prior and subsequent to the anti-trust act of Congress.

"Assuming such to be the purpose and effect of the formation of these corporations, no state law can restrict their operations when admitted to a domicile within their territory, nor can the state, by taxation or otherwise, interfere with them if engaged in interstate commerce, even though not admitted to the privileges of domicile. Created there, or domiciled there, they must not be

From the address of General F. S. Monnett, of Ohio, at the National Anti-Trust Conference: "An attorney-general of your state, using the high and important writ of ouster of or quo warranto, in the highest court of your state, and in behalf of the people in the state, can accomplish more in the way of electrocuting monopolies and trusts than all the resolutions of trades unions, municipal reform leagues, tax reform disciples, industrial commissions, Wednesday morning clubs and long-winded investigations and party platforms, prepared by high-salaried trust magnates, will do in the next decade. Trusts, combines, monopolies and crim-

interfered with; for, in the opinion of the Supreme court of the United States corporations are entitled to the protection of that part of the fourteenth amendment which declares that no state shall 'deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws.' Moreover, no state shall pass any law impairing the obligation of a contract, whether that contract be executory or executed, express or implied."

The Supreme court has held that each state shall judge of the conditions under which its foreign corporations shall be admitted to do business within its territory, but it has been also held that when the question involved is one of interstate commerce a foreign corporation stands upon the same footing as an individual. A state cannot exclude a foreign corporation if such is engaged in interstate or foreign commerce. It cannot even tax the agents or solicitors of such corporations for the privilege of doing business within its territory, much less exclude them.

"Corporations domiciled in New Jersey and trading elsewhere have nothing to fear and no favors to ask of any hostile state. Such state may say that they shall not be domiciled there; that they shall not own real estate there except on its own terms. The state may exclude the corporations altogether from a domicile, but it may go no further. These corporations may come and go from one end of the land to the other to carry on interstate commerce, and no state barriers or regulations shall affect them. There are no state lines for the individual or corporation carrying on that commerce."

What questions then have been set at rest by decisions which are the law of the land?

The restraint of trade and commerce referred to in all anti-trust statutes must be express and direct and at the same time unreasonable.

Contrary decisions of the courts of any of the states are opposed to those of the courts of the United States, which declare that

inals, tax dodgers and express robbers, are not solicitous, so long as they can satisfy public clamor with industrial commissions, reform clubs and magazine articles, or so long as they can keep a successful lobby between the people and the legislative halls—so long as they can keep the executive officers from dragging them into the presence of the court.

"Allow me to repeat and impress that the state is sovereign in the legislative halls, imperial in the executive and omnipotent in the judicial, if it will only exercise such powers to protect the common man in the general welfare of the people, and to right these wrongs and preserve unto all *equal opportunities*. The weakness of our government has been that we have not asserted this sovereignty until oppression became overpowering.

It needs no new government; it needs no political platform; this evil neither requires free silver nor gold standard, double tax nor single tax. It needs men to execute the laws that we have. It needs the courts to

THE LEXOW INVESTIGATION.

Conclusions of a Committee of the New York Legislature That Investigated Trusts in 1897.

On January 20, 1897, the New York legislature authorized a joint committee of the Senate and Assembly to investigate trusts. The majority of the committee, Senator Clarence Lexow, chairman, reported March 9, 1897. The committee began its sessions Feb. 5, in New York City, and continued them until Feb. 25. The report of the committee, largely composed of testimony taken, is contained in a book of 1,223 pages. Among the thirty-eight witnesses were Henry O. and Theodore A. Havemeyer, John Arbuckle, James H. Post, John E. Searles, Charles R. Flint, Charles F. Pope, F. B. Thurber and Samuel Sloan. In the testimony comprising the record, the committee "succeeded in presenting a comprehensive disclosure of the origin, development, aims and methods of that so-called modern commercial evolution popularly denominated 'trust.'"

The committee declared that "a trust in the sense in which it is popularly taken is a misnomer. Trust agreements no longer form the basis for the union of the constituent elements of a combination, whether of corporations or of individuals, which has for its purpose the repression of competition or the control of product or market. When in 1890 the court of appeals of this state pronounced its final judgment against the system of trust organization then in vogue, the 'trust' became a thing of the past, existing trust agreements were dissolved, and under the permission of existing laws the constituent elements, held together under such agreements, became incorporated in the state of New Jersey and in other jurisdictions; either by accident or design, the law of incorporation was so adjusted that by the simplest formality a trust declared unlawful and a conspiracy against public welfare might continue its career, operating through the same agencies, pursuing the same methods and actuated by the same aims and purposes as before, but within the permission of the local law based on a mere change in form of organization. The corporation laws of the state of New York at that time differed essentially from the laws of the state of New Jersey in that they did not, as did the latter, permit the acquisition by one corporation of the capi-

tal stock of another, and consequently there followed an immediate migration of trusts to the state of New Jersey to secure corporate charters there, and thus avoid complications in which the decision of the court of appeals threatened to involve them."

"Interpreting combinations of capital to be the gathering together under one management of the collective contributions of many for strictly business purposes, involving economy in the several stages which result in the final distribution of the product to the consumer, we define the trust to be an aggregation brought about for the purpose of operating against the natural laws of supply and demand, destroying competition by combination and unfair methods in order to secure control of both product and market, or permitting competition to exist only colorably and to the extent of refuting the charge of absolute monopoly. The one moves with the natural law; the other is designed to and does operate against the natural law."

Considering the advantages claimed for trusts the committee said:

"The main advantage is stated to be that of economy in production reflected in lower prices to the consumer. We find nothing upon the record to justify any such conclusion."

"Another advantage which is said to flow from combination is that of a more perfect product. There is nothing upon the record to justify this conclusion."

"Another advantage is alleged to be that of better wages and more constant employment of labor. We are equally unable to reach this conclusion. No part of the product arising from admitted economies, and resulting in large dividends on inflated stocks, has reached labor in the form of increased wages, while the claim of constancy of employment is negated by the fact that factories in operation for a generation have been closed and that workmen, more or less continually employed for years in a factory independently operated, have been discharged upon its absorption by the combination. Combinations owning factories located in different states are thereby enabled to and do at will, here and there, close factories permanently or for long periods of time; possessing factories of a capacity sufficient to supply all demands, with a surplus of 40 per cent, they may at any time cause factories in many localities to remain temporarily or permanently idle and thus reduce the worker to a condition of absolute uncertainty."

"Still another alleged advantage is that of stability of price to the consumer. This must be admitted. But the question is whether the fixing of a stable price operates to his advantage. It is an abnormal and not a natural condition—a price fixed at the maximum that the consumer will pay consistent with the marketing of the largest volume of product practicable."

The committee considered overcapitalization without suggesting a remedy. It considered foreign incorporation and depre-

"We pledge anew the people's party never to cease the agitation until this eighth financial conspiracy is blotted from the statute books, the Lincoln greenback restored, the bonds all paid and all corporation money forever retired.

"We reaffirm the demand for the reopening of the mints of the United States to the free and unlimited coinage of silver and gold at the present legal ratio of 16 to 1, the immediate increase in the volume of silver coins and certificates thus created to be substituted, dollar for dollar, for the bank notes issued by private corporations under special privilege granted by the law of March 14, 1900, and prior national banking laws, the remaining portion of the bank notes to be replaced with full legal tender government paper money and its volume so controlled as to maintain at all times a stable money market and a stable price level."

The problem is how to lift the masses of the people to a higher plane of life—not how to increase the riches of the few while the poverty of the masses continues. First, do justice. The plucking of the workers still goes on. Industrial slavery must be abolished as chattel slavery has been. Second, increase production, for the greater the productive power of the community the greater its wealth. Third, organize; life is organization. The trusts are in the line of progress. They are doing a great work in democracy and an industrial oligarchy. The great effort of the near future, in which all will be forced to take part, will be to establish an industrial democracy, and to that struggle events are rapidly drifting. The trusts are simply hastening the crisis. * * * The new industrial system which is approaching, and which will abolish the last stronghold of slavery, is commonly known as socialism. It is also sometimes called nationalism, mutualism, or co-operation, and the new era it will usher in is commonly called the co-operative commonwealth. The method it will force upon society is to substitute public ownership of the means of production and distribution in place of the present private ownership. The socialist is an evolutionist.—JAMES B. SMILEY (Chicago) in pamphlet, "To What are Trusts Leading?"

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Associated Press dispatch from Duluth, August 7, 1900 (condensed): On the ground of consistency, candor and self-respect, Charles A. Towne, Silver Republican, nominated to the vice-presidency by the People's Party, in national convention, at Sioux Falls, May 9 and 10, 1900, declines, this day, the nomination. Mr. Towne endorses the Democratic platform and Mr. Bryan.

AN OLD ENGLISH RULING.

An Agreement in Restraint of Trade Is Void; One in Partial Restraint May Be Good or Bad According to the Consideration.

In "Smith's Leading Cases" will be found the famous case of *Mitchel v. Reynolds*, decided by an English court in the year 1711. In this case the defendant had leased to the plaintiff a bakehouse for five years. But if the defendant should, within that term, resume the business of a baker, within a certain London parish, he should within three days pay the plaintiff fifty pounds; whereupon his obligation to refrain from his trade would become void. The court, addressing itself to the question whether this bond, being made in restraint of trade, was good, found for the plaintiff. In the course of its opinion the court gave utterance to these principles and observations:

"We are all of opinion that a special consideration being set forth in the condition, which shows it was reasonable for the parties to enter into it, the same is good; and that the true distinction of this case is, not between promises and bonds, but between contracts *with* and *without* consideration; and that wherever a sufficient consideration appears to make it a proper and a useful contract, and such as cannot be set aside without injury to a fair contractor, it ought to be maintained; but with this constant diversity, viz., where the restraint is general not to exercise a trade throughout the kingdom, and where it is limited to a particular place; for the former of these must be void, being of no benefit to either party, and only oppressive. It can never be useful to any man to restrain another from trading in all places, though it may be to restrain him from trading in same, unless he intends a monopoly."

In its statement of the law with respect to restraint of trade the court differentiated the precedent cases as follows: First, the cases are of involuntary restraints against, or without a man's own consent; second, of voluntary restraints by agreement of the parties.

Involuntary restraints are, first, grants or charters from the crown; second, customs; third, by-laws. Grants or charters may be

others, and this is void. Grants or charters may be a grant to particular persons for the sole exercise of any known trade, and this is void, because it is a monopoly, and against the policy of the common law, and contrary to Magna Charta. Grants or charters may be a grant of the sole use of a new invented art, and this is good.

Restraints by custom are such as are for the benefit of some particular persons, who are alleged to use a trade for the advantage of a community. These are good. Restraints by custom may be for the benefit of a community of persons who are not alleged, but suppose to use the trade, in order to exclude foreigners. Furthermore, a custom may be good to restrain a trade in a particular place, though none is either supposed or alleged to use it.

Restraint by by-laws may be to exclude foreigners, and this is good if only to enforce a precedent custom by a penalty; but where there is no precedent such by-law is void. All by-laws made to cramp trade in general are void. By-laws made to restrain trade, in order to the better government and regulation of it, are good in some cases, if to benefit the place or avoid public inconveniences, nuisances, etc.

Voluntary restraints are general or particular. General restraints are all void, whether by bond, covenant, or promise, etc., with or without consideration, and whether it be of the party's own trade or not. Particular restraints are either, first, without consideration, all of which are void whatever the contract; or, second, particular restraints are with consideration. Where a contract for restraint of trade appears to be made upon a good and adequate consideration, so as to make it a proper and useful contract, it is good.

The court made certain observations as follows:

"That to obtain the sole exercise of any known trade throughout England is a complete monopoly, and against the policy of the law.

"That when restrained to particular places or persons (if lawfully and fairly obtained), the same is not a monopoly.

"That since these restraints may be by custom, and custom must have a good foundation, therefore the thing is not absolutely, and in itself, unlawful.

"That it is lawful upon good consideration for a man to part with his trade.

"That since actions upon the case are actions *injuriarum*, it has always been held that such actions will be for a man's using a trade contrary to custom, or his own agreement, for there he uses it injuriously.

"That where the law allows a restraint of trade, it is not unlawful to enforce it with a penalty.

"That no man can contract not to use his trade at all.

a new charter of incorporation to trade generally, exclusive of all
"That a particular restraint is not good without just reason and consideration."

The court concluded: "In the case at bar the plaintiff took a baker's house, and the question is whether he or the defendant should have the trade of this neighborhood. The concern of the public is equal on both sides. What makes this the more reasonable is, that the restraint is exactly proportioned to the consideration, viz., the term of five years. Small restraints of trade, where nothing more appears, the law presumes them bad; but if the circumstances are set forth, that presumption is excluded, and the court is to judge of those circumstances, and determine accordingly; and if upon them it appears to be a just and honest contract it ought to be maintained."

In brief the English rule is, to sum it up in the words of a decision in another case, "any agreement by bond or otherwise in *general restraint* is illegal and void. But such a security given to effect a *partial restraint* of trade may be good or bad, according as the consideration is adequate or inadequate."

* * * * *

American courts have declared an agreement in general restraint of trade both as to time and space to be void, although the consideration is good; but that contracts in partial restraint of trade are not void for that reason.

THE FEDERAL STEEL COMPANY.

The Far-Reaching Economies of Production That a Great Combination May Attain.

In an instructive chapter on "Methods of Organization and Management," in his book, "The Trust Problem," Prof. Jenks illustrates the far-reaching economics of combination as shown in the case of the Federal Steel company:

"It should be noted that among the various forms of combinations there are two kinds, essentially different in nature. The first is made up of companies that have been active competitors before the combination was made, as in the case of the original Sugar trust and Whisky trust. In these cases the combination was sought for the special purpose of lessening competition, together with the elimination of the competitive wastes. The combination simply took different competitors out of the market and enabled the price of the product to be fixed by the central organization.

"In the second kind of combination, the constituent members have often not been competitors in the same line of work before the combination was made, though they each seek a share of the value of the final product. Instead of being competitors in the same line of business, they have been producers of different products at different stages in the same industry. For example, the Federal Steel company is a combination of several companies that were not competitors. The Minnesota Iron company owns iron ore property, also the Duluth and Iron Range Railroad company, which connects its mines with Lake Superior at two points. It owns ore docks and also twenty-two steel lake vessels that can carry a large proportion of its products each year. The Federal Steel company bought all its stock. It also bought all of the stock of the Lorain Steel company, which manufactures chiefly steel rails for street railways, although some steel billets; it bought all the stock of the Johnson company, which is engaged chiefly in manufacturing frog switches and crossings for street railroads, as well as electric motors. Another company, all the stock of which it purchased, is the Illinois Steel company with several

plants, which produce pig iron, steel rails, steel billets, steel plates, etc. This company is also the owner of the stock of the Chicago Lake Shore & Eastern Railway, which connects its plants in the neighborhood of Chicago, and also gives these plants an outlet to the general market over all the railroads in the country. It also owns large tracts of coal property on which it manufactures coke used in its plants. From this statement it will be seen that the Federal Steel company by its formation lessened only to a very slight extent, if at all, the competition in the same lines which had existed before. Its purpose was different. Through the combination the mines are furnished with a sure customer, provided they need one, for a large part at least of their output; while, on the other hand, The Illinois Steel company, in its manufacture of steel rails, billets, etc., is assured of a steady supply of its ore for the carrying on of its manufacture. In this way contracts can be taken for a long period of time in advance with perfect certainty of their being carried out on time without any excessive losses that might otherwise come from possible changes in the price of ore. Before the organization, of course, each of these separate companies tried to get the largest share possible of the value of the finished product. Now, while the contest may be the same, the motive has been weakened. The profit which the mine foregoes, may be made by the rolling mill or the fleet of transports. It is, of course, true that the business of each one of these separate companies is managed independently; it is still further true that at times the mining company can sell its ore to better advantage to outside manufacturers than to the other constituent members of the Federal Steel company, they in turn buy-

"The Trust Problem," by Jeremiah Whipple Jenks, Ph.D., given to the public last month, "is not," in the author's words, "intended primarily for the student of economic theory, but as a brief, impartial statement of facts and principles." Prof. Jenks holds the chair of political science in Cornell University, is expert agent to the United States Industrial Commission, and consulting expert to the United States Department of Labor. The book is addressed to busy men, and, with simplicity and self-restraint, admirably meets its purpose. It is the result of twelve years of personal investigation. Prof. Jenks is now in Europe, and proposes to embody his discoveries in a more complete study of the whole problem of monopoly. Prof. Jenks' judicial attitude of mind toward the problem is well conveyed in this his definition of trusts in the present book: "Trusts are taken to mean manufacturing corporations with so great capital and power that they are at least thought by the public to have become a menace to their welfare, and to have, temporarily at least, considerable monopolistic power."

ing their ore to better advantage from some other mine. But, while the work can be ordinarily, and is ordinarily carried on independently, and while at times each of the separate constituent companies deals largely with outsiders, this perfect union in management enables them to be secure at all times as regards the supply of raw material on the one hand, and a proper sale of the raw product on the other, advantages that can by no means be lost sight of.

"Some other companies without any formal organization are managed in largely the same way. For example, the American Tin Plate company, the National Steel company, and the American Steel Hoop company, while entirely independent in their organization, have nevertheless to a considerable extent the same men as large stockholders and as directors."

THE INCORPORATIONS OF 1900.

**The Authorized Capitalization of the First Six Months
Amounts to \$1,584,050,000.**

In the sections on "Trust Stocks or Industrials," "A Partial Catalogue of Trusts," and "A Price List of Leading Industrials," will be found the information preliminary to the following from the "Chicago Banker," July, 1900:

"The June record of incorporations in the principal Eastern states of companies of \$1,000,000 authorized capital or more is the smallest of any month thus far this year, with the exception of February, the total capitalization of such companies during the month just ended being only \$166,200,000. The totals for the six months are as follows:

January	\$203,750,000
February	124,350,000
March	502,900,000
April	325,250,000
May	261,600,000
June	166,200,000

Total for six months.....\$1,584,050,000

"The features of the compilation for June are the small total of New Jersey companies, a marked increase in Delaware's figures, and the absence of companies of exceptionally large capital. The total capital for the respective states included in the list is as follows:

New Jersey	\$ 43,700,000
Delaware	33,000,000
West Virginia	83,500,000
Miscellaneous	6,000,000

\$166,200,000

"It may be of interest to note that the aggregate capitalization of companies chartered during the month with a capital of less than \$1,000,000 was, approximately, \$52,500,000. The largest

company in the current month's list is the National Sugar Refining company, which has an authorized capital of \$20,000,000. The next largest is the International Construction company, a Delaware corporation, capitalized at \$7,000,000. There were three companies chartered in Delaware with a capital of \$5,000,000 each, and twelve in West Virginia, \$5,000,000 being the limit of capitalization in the latter state."

One of the largest items in the above list was the Interoceanic Canal company, incorporated in April, authorized capitalization \$100,000,000. The charter was taken out at that time to prevent forfeiture under a time limit. The same month the Siegel-Cooper company was incorporated, the corporation to embrace the Chicago and New York stores. Stock was offered to the public as well as to employees; but a day or two after the invitation was given to the public to subscribe it was withdrawn. This same month the American Bridge company was authorized to capitalize at \$100,000. It will eventually expand this to \$70,000,000. In the January list the largest is the Ontario Lake Superior company (mineral and timber), authorized capitalization \$20,000,000. Its charter is under Connecticut law. The Consolidated Electric Car Lighting and Equipment company, authorized capitalization \$16,000,000, is the next largest. The War Eagle Consolidated Mining company (Northwest mining properties) has an authorized capitalization of \$15,000,000. The Federal Publishing company has an authorized capitalization of \$6,000,000. Both are January incorporations.

MONOPOLIES OF MINERAL WEALTH.

The Ownership of Natural Resources Tends to Concentrate Within a Few Hands.

Condensed from "Monopolies and the People," by Charles Whiting Baker, editor *Engineering News*, second edition, 1899:

The large iron and steel corporations have secured to a large extent the best deposits of iron and coking coal to insure more perfectly the absolute control of the market. To defeat combination among producers they have done this for self-protection. Of course iron ore is widely and abundantly scattered, but there is no need to control anything but the best and most economical sources of production to create a monopoly. In coal numerous monopolies exist. "The anthracite supply in Pennsylvania is controlled by the railways which tap the anthracite region, and which have for years been joined in an agreement to maintain freight rates on anthracite at a high rate, amounting to two or three times the rate per ton-mile paid on soft coal. In bituminous coal, combinations among the mines supplying a given market, are very common, and are effectual in raising the price to a point that will materially increase profits without opening the market to coal from and more distant fields. The tendency for these combinations to take the form of actual consolidation is a notable one; and when such consolidations occur, the task of forming mutual agreements between the producers of different fields at points where their products compete is rendered easy. A combination has existed for some years among the firms which supply New York city and vicinity with terra cotta fireproofing materials. Even common brick clay has been monopolized. In 1898 a syndicate got control of the clay deposits in the Hudson valley from which New York has long obtained its chief supply of brick. The American Brick company, capital \$15,000,000, now controls the future brick supply of the metropolis.

In copper the monopolies of greatest note are those due to possession by private owners of the deposits of greatest richness. In zinc combinations to fix prices have been frequent the past decade, but not generally lasting. Production in diamonds by the

Kimberley mines, in South Africa, is fixed at what the world's markets will absorb without a fall in prices. In 1898 the De Beers Consolidated Mines company paid over \$9,000,000 to security holders. The borax trade of the United States has for years been controlled by the Pacific Coast Borax company. The world's supply of potash salts is got from Germany. A syndicate fixes prices for the world at the beginning of each year. The Rothschilds largely control the production of quicksilver. A foreign syndicate is also said to control platinum. The sulphur deposits of Sicily are now worked by one company. The Vermont Marble company has for many years been the chief factor in the marble market, though its dominance is due to facilities rather than to control of quarries.

ADDENDA.—News Notes:

Berlin dispatch in daily papers, August 8, 1900: Dr. William Liebknecht, well-known member of the Reichstag, and one of the leaders of socialism in Germany, died yesterday at Charlottenburg. He was born at Giessen in 1826 and was editor of the "Vorwaerts," the socialist organ.

New York dispatch in Chicago "Tribune," August 8, 1900: "A dividend of \$8 a share was declared today, payable September 15, on Standard Oil stock, of which \$97,500,000 is now outstanding. This makes 38 per cent in dividends declared so far this year, against 23 per cent declared for the first three-quarters of 1899. The dividend for the September quarter last year was 5 per cent, but the present dividend is a reduction from those declared for the previous quarters of the present year. In June 10 per cent was paid and in March 20 per cent. No official statement was issued today in connection with the dividend announcement, but in the speculation as to the circumstances which induced the directors to reduce the dividend it was generally assumed that it was due to losses sustained in the fire at Bayonne, which started on the night of July 4. The losses from the fire were generally placed at the time at more than \$2,000,000. This would be approximately the amount of the dividend reduction."

Topeka (Kan.) dispatch in Chicago "Inter Ocean," August 7, 1900 (condensed): Preliminary steps to form a farmers' trust were taken here tonight. States represented in the conference were Illinois, Nebraska, Minnesota, Ohio, North Dakota, South Dakota, Oklahoma, Indiana and Kansas. The committee on organization approved a plan by Walter N. Allen, one of the founders of the Farmers' alliance, who has already secured a charter for a corporation, with an authorized capital stock of \$20,000,000, divided into shares of \$10 each. The trust proposes to establish warehouses and commission houses in Kansas City, Chicago, Minneapolis, Galveston and New York. Any farmer holding a share of stock is entitled to have his agricultural products and live stock handled by the trust at a nominal commission. Whenever the trust deems it expedient to raise the price of any product it proposes to withhold that product from the market for a time, advancing to needy farmers whose product is withheld sufficient money to tide them along.

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On December 14, 1899, Prof. Richard T. Ely delivered an address before the American Academy of Political and Social Science—published by the Academy—entitled "A Decade of Economic Theory." In this Prof. Ely sketches the late evolution of economic science with the contributions thereto of Prof. J. Laurence Laughlin, Prof. William A. Scott, Prof. Irving Fisher, Prof. John Bates Clark, Prof. Simon N. Patten, Prof. John R. Commons, Prof. J. W. Jenks, President Arthur T. Hadley, Prof. Taussig, Prof. Seligman, Prof. Henry C. Adams, Prof. Ashley, Prof.

Giddings, Prof. Small, Prof. Mayo-Smith, Prof. Macvane. Prof. Ely remarks: "When we look at the present condition of economic theory, we must confess that we have every reason to think that the completion of theories which are in the process of growth will take us well on toward 1909." Prof. Ely gives special attention to Prof. Clark's growth of thought, emphasizing that profound and eminent economic philosopher's sympathy for, and exploitation of, the ethical. A great work by Prof. Clark, published about the time of Prof. Ely's monograph, is "The Distribution of Wealth." Prof. Ely notes that "when we come to distribute and consumption we find the departments of economics, which have been the centers of interest, so far as economic theory is concerned." Prof. Ely characterizes the name of Prof. Seligman as "that which probably will be generally admitted to hold first place in the elaboration of theories in public finance." Of methods of economic study Prof. Ely says: "There is now a free field for any and all methods. During the earlier part of our decade, discussions of method may have favored deduction; recently, however, there is a reaction again in favor of a use of what we may call, in the widest sense, the inductive method. Prof. Ashley is a leader in this direction." Of President Hadley's "Economics," much quoted by the editor of this handbook, Prof. Ely remarks that "a marked feature is the application of natural selection, whereby a connection is made between ethics and economics." Of his own work Prof. Ely says: "For years I have been working on what could perhaps be called a system of economic philosophy under the title, 'The Distribution of Wealth.' One volume on 'Monopolies and Trusts' (quoted in the section in this handbook on 'The Nature of Monopoly') is in print; three or four will be ready as soon as revised, while several volumes remain to be written."

"It is on account of the odious character of private monopoly that the general conviction has been reached, both in England and the United States, that it is contrary to the principles of Anglo-Saxon liberty to allow it to go uncontrolled, and that the right to control has in both countries been placed beyond controversy by judicial interpretations of the common law. There is then only one question before us, and that is how to exercise the control. The true remedies must not be direct, but indirect. If a law is passed forbidding combination, the law itself shows its faulty character, and that it was framed and passed by men who, if sincere, did not understand the nature of the problem with which they were dealing; and hence attacked not causes but symptoms. When one contemplates all this legislation and bears in mind the ineffectiveness of the federal statute, except against labor unions, one sees the force of the sententious assertion of Paul de Rousier, in his 'Monopolized Industries in the United States,' that our law has been strong for the weak and feeble for the strong. The effect of constitutional provisions and legislative enactments against trusts thus far has been to increase centralization and to strengthen monopoly rather than otherwise. It was possible to forbid various corporations to put their business into the hands of a common board of trustees, and thus to abolish the old type of the trust. This, however, was going very far, and would seem to be depriving persons of one of the rights incident to property. It has not, however, been found possible to prevent corporations from selling their business outright to a new corporation, which thus absorbs them, and it is difficult to see how this can be prevented if private property, as we now understand it, is to be maintained."—"Trusts and Monopolies," by Prof. Richard T. Ely.

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